

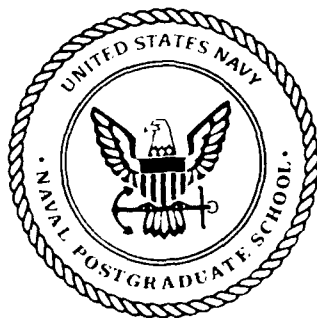
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# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



### THESIS

CONTRACT ADMINISTRATION OF INDEFINITE  
DELIVERY TYPE CONTRACTS (IDTCS) BY  
CONTRACTING OFFICER'S TECHNICAL  
REPRESENTATIVES (COTRS)

by

Virgil Vance Moore IV

June 1990

Thesis Advisor:

E. Neil Hart

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91-01870



91 6 11 148

UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE

## REPORT DOCUMENTATION PAGE

1a REPORT SECURITY CLASSIFICATION UNCLASSIFIED			1b RESTRICTIVE MARKINGS		
2a SECURITY CLASSIFICATION AUTHORITY			3 DISTRIBUTION/AVAILABILITY OF REPORT Approved for public release; distribution is unlimited		
2b DECLASSIFICATION/DOWNGRADING SCHEDULE					
4 PERFORMING ORGANIZATION REPORT NUMBER(S)			5 MONITORING ORGANIZATION REPORT NUMBER(S)		
6a NAME OF PERFORMING ORGANIZATION Naval Postgraduate School		6b OFFICE SYMBOL (if applicable) Code 36	7a NAME OF MONITORING ORGANIZATION Naval Postgraduate School		
6c ADDRESS (City, State, and ZIP Code) Monterey, California 93943-5000			7b ADDRESS (City, State, and ZIP Code) Monterey, California 93943-5000		
8a NAME OF FUNDING/SPONSORING ORGANIZATION		8b OFFICE SYMBOL (if applicable)	9 PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER		
8c ADDRESS (City, State, and ZIP Code)			10 SOURCE OF FUNDING NUMBERS		
			PROGRAM ELEMENT NO	PROJECT NO	TASK NO
			WORK UNIT ACCESSION NO		
11 TITLE (Include Security Classification) CONTRACT ADMINISTRATION OF INDEFINITE DELIVERY TYPE CONTRACTS (IDTCS) BY CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVES (COTRS)					
12 PERSONAL AUTHOR(S) Moore, Virgil V. IV					
13a TYPE OF REPORT Master's Thesis		13b TIME COVERED FROM _____ TO _____		14 DATE OF REPORT (Year Month Day) 1990, June	
15 PAGE COUNT 141					
16 SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.					
17 COSATI CODES			18 SUBJECT TERMS (Continue on reverse if necessary and identify by block number)		
FIELD	GROUP	SUB GROUP	Contracting Officer's Technical Representatives (COTRs); Indefinite Delivery Type Contract (IDTC); Navy Field Contracting System (NFCS)		
19 ABSTRACT (Continue on reverse if necessary and identify by block number) Contracting Officer's Technical Representatives (COTRs) are assigned by the contracting officer to provide technical direction/clarification and monitor Indefinite Delivery Type Contract (IDTC) performance at the location where the contractor performs services. This type of service contract frequently has a vague statement of work (SOW) and can employ either fixed price or cost reimbursable delivery orders. The stability and effectiveness of the COTR work force which administers these service contracts is greatly enhanced by proper qualification standards and training; however, the "more training" philosophy is only one way to reinstate the intent of the COTR program. This study will examine current Department of the Navy (DON) and Naval Supply Systems Command (NAVSUP) policies, guidance, and practices pertaining to the implementation of the COTR work force in the administration of IDTCs and suggest ways the program can be improved					
20 DISTRIBUTION AVAILABILITY OF ABSTRACT <input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS RPT <input type="checkbox"/> DTIC USERS			21 ABSTRACT SECURITY CLASSIFICATION Unclassified		
22a NAME OF RESPONSIBLE INDIVIDUAL CDR E. Neil Hart			22b TELEPHONE (Include Area Code) (408) 646-2966		22c OFFICE SYMBOL Code AS/Hr

#19 - ABSTRACT - (CONTINUED)

at West Coast Navy Field Contracting System (NFCS)  
activities.

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Contract Administration of Indefinite Delivery Type  
Contracts (IDTCs) by Contracting Officer's  
Technical Representatives (COTRs)

by

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Submitted in partial fulfillment of the  
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

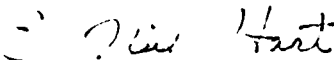
NAVAL POSTGRADUATE SCHOOL  
June 1990

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### ABSTRACT

Contracting Officer's Technical Representatives (COTRs) are assigned by the contracting officer to provide technical direction/clarification and monitor Indefinite Delivery Type Contract (IDTC) performance at the location where the contractor performs services. This type of service contract frequently has a vague statement of work (SOW) and can employ either fixed price or cost reimbursable delivery orders. The stability and effectiveness of the COTR work force which administers these service contracts is greatly enhanced by proper qualification standards and training; however, the "more training" philosophy is only one way to reinstate the intent of the COTR program. This study will examine current Department of the Navy (DON) and Naval Supply Systems Command (NAVSUP) policies, guidance, and practices pertaining to the implementation of the COTR work force in the administration of IDTCs and suggest ways the program can be improved at West Coast Navy Field Contracting System (NFCS) activities.

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### ACKNOWLEDGMENTS

This thesis would not have been possible without the exceptional cooperation of those interviewed and the assistance given in the research efforts. I would especially like to thank the staff and officers of Naval Regional Contract Center San Diego for their contributions and support. I would also like to thank the staff and officers of Naval Supply Center Oakland who gave their time and went out of their way to be helpful. In addition, I would like to acknowledge the guidance given by my thesis advisor, Commander E. Neil Hart and my second reader, Professor Paul Carrick.



## I. INTRODUCTION

### A. BACKGROUND

The implementation of the Office of Management and Budget (OMB) Circular No. A-76, "Performance of Commercial Activities," has reduced the Federal Government's reliance on in-house assets to perform various technical and maintenance services. In response to OMB's direction to seek the support of competitive private enterprise, the Navy Field Contracting System (NFCS) has shifted its reliance to the contracting out of these services to commercial businesses.

These service contracts directly engage the time and effort of contractors whose primary purpose is to carry out identifiable assignments rather than supply specific materials under the terms of the contract. Of the many types of contract methods available for use by the procuring contracting officer (PCO), Indefinite Delivery Type Contracts (IDTCs) "are the major type of contract used in the NFCS for services on other than a firm fixed-price (FFP) basis" [Ref. 1:p. 1]. Indefinite Delivery Type Contracts, or IDTCs, specify the types of services to be furnished by a contractor upon receipt of delivery orders written against the IDTC from ordering officers at customer activities. While a conveniently shorter administrative leadtime is a benefit of this contract type, post-award actions can be

quite involved. Procurement Management Reviews (PMRs) of NFCS activities frequently cite contract administration discrepancies related to IDTC misinterpretations and abuses.

As service contracts increase in number and expand in scope, the related complexities of contract administration also grow. One of the most difficult issues in the administration of service contracts occurs when the customer requesting the service is not co-located with the contracting officer. Depending on the degree of technical direction required, type of contract and level of surveillance necessary, the remote customer can incur the responsibility of having to nominate an individual from his own activity to administer the contract. This individual is called the Contracting Officer's Technical Representative (COTR). In his efforts to administer the contract, the COTR can encounter problems stemming from the complexity of the contractual arrangement (since he is not the PCO), as well as from his relationship with his supervisor and the PCO to whom he is jointly responsible.

#### B. OBJECTIVES

This research effort is a study on the administration of Indefinite Delivery Type Contracts (IDTCs) through the Contracting Officer's Technical Representatives (COTRs). The key points to be analyzed are the compilation of COTR-related discrepancies found in recent Procurement Management

Reviews (PMRs) of West Coast Navy Field Contracting System (NFCS) activities. By reviewing these deficiencies on a composite basis, significant systemic issues can be more easily separated from superficial administrative errors of a topical nature. The end goal is the development of resolutions to cure or reduce both policy and procedural problems with regard to the management of COTRs. This consolidated list of common COTR/IDTC discrepancies will be offered as a guide for contracting personnel to assist in their efforts to meet NAVSUP-directed contract administration requirements. In addition, this list of discrepancies will be used as an input to the tailoring of screen formats for the development of a computerized COTR management/contractor performance reporting program at Naval Regional Contracting Center, San Diego, California.

#### C. RESEARCH QUESTIONS

##### 1. Primary Research Question

What are the key problems associated with the administration of Indefinite Delivery Type Contracts (IDTCs) for services and how might these problems be resolved?

##### 2. Secondary Research Questions

- \* What is an IDTC?
- \* What role do COTRs have in the administration of IDTCs?
- \* What are the significant deficiencies in the Contracting Officer/COTR/Ordering Officer/Contractor relationship with regard to the administration of IDTCs?

- \* How might these deficiencies be addressed to better manage the COTRs' administration of IDTCs?

#### D. SCOPE, LIMITATIONS AND ASSUMPTIONS

The scope of this thesis encompasses current Naval Supply Systems Command (NAVSUP) policy and practices pertaining to the implementation of the COTR work force in the administration of nonpersonal service contracts with several limitations.

First, data analysis has been restricted to the policy and management deficiencies that have surfaced in Procurement Management Review (PMR) findings of West Coast NFCS activities during fiscal years 1988, 1989, and the first quarter of 1990.

Second, while COTRs can be required to administer "C"-type contracts which obligate full funding up front in the contract and require the contractor to perform based on definitized quantities, deliveries and specific statements of work (SOWs), this thesis will analyze the COTR work force's administration of "D"-type indefinite delivery-type contracts which obligate incremental funds and require the contractor to perform when delivery orders are written to specify delivery times, locations, and/or quantities. Moreover, an IDTC should not be confused with a Basic Ordering Agreement (BOA). An IDTC is a contract in which prices and/or estimated costs have been analyzed and deemed fair and reasonable prior to the contract award. Obligations

occur when unilateral delivery orders are placed against the IDTC without the requirement for further competition or justification. A BOA, however, requires competition or a Justification and Approval (J&A) each time an order is placed since the BOA is not an actual contract until the task order is issued. By itself, the BOA is only a broad agreement with a contractor to meet certain terms and conditions. It specifies the types of services that can be furnished by the contractor pending the receipt of a bilaterally determined task order.

Third, the primary emphasis will be on Type II delivery orders placed against IDTCs with cost reimbursable features vice Type I delivery orders placed against fixed-price IDTCs.

Several assumptions have been made. First, the findings and recommendations of these PMRs are assumed to be well-founded. Second, it is assumed the reader possesses a basic knowledge of contracting terms and language in addition to the NFCS procurement organization and process.

#### E. RESEARCH METHODOLOGY

Primary research was limited to the review of key deficiencies cited in PMR reports for West Coast NFCS activities. Within this framework, interviews were exclusively limited to issues regarding the management of COTRs, COTR/Contracting Officer interaction, and the

contract administration of IDTCs. Appendix A provides a list of questions asked during interviews.

Secondary research included a review of written policy and guidance within the Department of the Navy (DON).

Data were gathered through:

- \* Review of current DOD policy and guidance concerning the administration of Indefinite Delivery Type Contracts (IDTCs) through the Contracting Officer's Technical Representative (COTR) work force.
- \* Review of literature pertaining to IDTCs and COTRs drawn from the Defense Logistics Studies Information Center, Fort Lee, Virginia, Federal Legal Information Through Electronics (FLITE) Data Base, Lowry Air Force Base, Colorado, and the Library of the Naval Postgraduate School.
- \* Review of procurement management reviews (PMRs) of West Coast Navy Field Contracting System (NFCS) activities.
- \* Field trips to and observations of COTR management at the Naval Regional Contracting Center San Diego, California and Naval Supply Center Oakland, California.
- \* Telephone discussions and interviews with NFCS contracting officers, PMR inspectors, NFCS COTR instructors, COTRs, and their supervisors.

#### F. ORGANIZATION OF STUDY

The thesis is divided into four chapters. This chapter has provided an overview of the contract administration environment in which COTR management issues are cradled. It has also outlined the framework within which the thesis examines these issues. Chapter II defines and discusses IDTC/COTR policies and procedures that impact the administration of service contracts. Common COTR-related Procurement Management Review findings are listed and analyzed in

Chapter III. Chapter IV summarizes the research and provides conclusions and recommendations to reduce both policy-driven and procedural problems with regard to the management of COTRs.

#### G. SUMMARY

This chapter has identified the background for this thesis. The reader has been acquainted with the purpose and methodology of the research. The next chapter will introduce policies and procedures involving the use of IDTCs and COTRs.

## II. INDEFINITE DELIVERY TYPE CONTRACT (IDTC)/CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE (COTR) INTERFACES

### A. INTRODUCTION

This chapter defines the policies and procedures which support the use of Indefinite Delivery Type Contracts (IDTCs) and mandates the use of Contracting Officer's Technical Representatives (COTRs) for service contracts. First, it will discuss the background leading up to the award of a service contract and the selection of the contract type. Second, the advantages and disadvantages of IDTCs will be presented. Finally, the responsibilities and processes associated with the nomination, appointment, performance, monitoring and coordination of COTRs will be addressed.

### B. SERVICE CONTRACTS

Service contracts are used to purchase the time, knowledge, and expertise of contractors. Time is easily definable in a contract, but knowledge and expertise requirements are more difficult to describe. These performance requirements are expressed in a statement of work (SOW) which attempts to quantify the service, study, or research and development effort required of the contractor. Depending on the service required, the procuring contracting officer (PCO) must determine what type of contract will be



most advantageous to the Government. The SOW must be specific enough to allow contractors to bid competitively on a level playing field, but generic enough to accommodate some flexibility in the performance of a service. Numerous problems can occur with regard to the SOW, especially in multifunctional "umbrella" service contracts with overlapping SOWs; however, these types of contracts are beyond the scope of this thesis.

Because (the PCO is) procuring expertise rather than materials or supplies, the source selection criteria must be different. When procuring materials and supplies, it is preferable to go low cost technically acceptable, because the specifications can be very exact, depending on the requirement. It can be just the opposite with services. The corporate management expertise and technical knowledge contained within a service's organization must be proportional to its policies, reputation, and commitment to professionalism and quality assurance. For this reason, and the fact that most service efforts are not 100% definable, it is typically preferable to use a best value selection criteria. [Ref. 2:p. 15]

During the pre-solicitation phase of the procurement, it must be determined whether or not a contract administration plan (CAP) is needed. A CAP must be developed when either one or both of the following criteria exist:

- \* A COTR will be required to assist with the contract
- \* The requiring activity is to be delegated authority by the PCO "to perform specific duties or significant tasks related to contract administration...other than inspection and acceptance." [Ref. 4:p. 3]

A separate CAP is necessary for each service contract that meets the previous criteria; however, if an activity utilizes similar contract administration assignments on a recurrent

basis, then the activity can be allowed to draw up a Master CAP to cover particular categories or types of requirements.

To initiate the process, the requiring activity must submit a "Documentation Form for Contract Administration Plan" concurrently with the submission of its Request for Contractual Procurement (RCP). This form is used to:

- \* Specify areas requiring technical expertise to assure quality, adequate performance, and contract completion
- \* Nominate the COTR
- \* Cite the specific duties, qualifications, and proposed responsibilities and limitations of ordering officers
- \* State any internal control measures that have been established at the requiring activity to monitor the performance of on-site personnel with delegated responsibilities
- \* Address repetitive requirements which might facilitate the development of a Master CAP or change the current Master CAP. [Ref. 5:pp. 3-4]

Appendix B, Part I, provides a sample check-off list the requiring activity must submit to the PCO.

When the PCO receives the information listed in the previous paragraph, he must liaison with the requiring activity (and contract administration office (CAO), if necessary) to develop the CAP. The goal of the CAP is to achieve effective administration and avoid duplication of functions by efficiently coordinating the assignment of responsibilities. A well-coordinated effort is required to:

...ensure that all contract administration functions are assigned; suit the specific circumstances of the contract; and give due consideration to the type of contract, the place of performance, the period of performance, and

inspection and acceptance criteria to be stated in the contract. [Ref. 4:p. 4]

Appendix B, Part II, provides a check-off list the PCO must complete in the pre-solicitation phase of the procurement.

During the solicitation process, the PCO must consider funding constraints, schedule requirements, lead times, competition goals, and contract administration responsibilities when choosing a contract type. Table 1 lists the functional areas and participants with which PCOs must interplay. If the purchase request is for a service contract which will require a COTR, the PCO should get him involved as early as possible in acquisition planning since the COTR will become the primary agent responsible for the performance of the contract. The COTR has a vested interest in ensuring all the needs for the service are addressed in the solicitation and should play a key role in developing a CAP that is actually achievable. Guidelines for developing a CAP are listed in Appendix C. In Appendix D is a sample CAP for a complex IDTC Time and Materials solicitation. Both appendices were taken from the NAVSUP Instruction 4330.7, "Service Contract Administration."

#### C. INDEFINITE DELIVERY TYPE CONTRACT

Once the PCO determines exactly what the customer requires, he must decide whether to procure services through the use of a definitive "C"-type contract or an indefinite delivery "D"-type contract. Either type of contract may

TABLE 1

FUNCTIONAL AREAS AND PARTICIPANTS WITH WHICH THE PROCURING  
CONTRACTING OFFICER (PCO) MUST INTERFACE FOR  
SERVICE CONTRACTS

SERVICE PLANNING RESPONSIBILITIES	REQUIRING ACTIVITY	COTR	LEGAL	FISCAL
<b>PLANNING</b>				
Requirements I. D.	X	X		
Contract Type		X	X	
Contract Duration		X	X	
Competition Considerations		X	X	
Source Selection		X	X	
<b>COST DEVELOPMENT</b>				
Govt Estimate Preparation	X	X	X	
* Level of detail		X	X	
* Contract type		X	X	
* General considerations	X	X	X	X
Budgeting	X	X		X
* Level of detail	X	X	X	X
* Time frames	X	X	X	X
* Relationship to tasking		X	X	X
* Assumptions & conditions	X	X	X	X
Funding				
* Application to Service Contracts Act		X	X	X
Level of Work Planning	X	X	X	
<b>PERFORMANCE REQUIREMENTS</b>				
Statement of Work	X	X	X	
Data & Other Deliverables	X	X	X	
Quality Assurance	X	X	X	
Govt Furnished Property	X	X	X	
<b>OTHER CONSIDERATIONS</b>				
Contract Administration	X	X	X	
Classified Information	X	X	X	

Source: [Ref. 2:p. 19]

require the assignment of a COTR; however, as previously introduced, this thesis is limited to a discussion of the indefinite delivery "D"-type contract. For clarification purposes, their differences are stated again. The term "C" contract includes all contract tasking with definitive quantities, deliveries and statements of work. Type "D" contracts (IDTCs) identify the estimated costs, prices and kinds of services to be delivered, but are prevented by uncertainty at the time of contract award from stating the precise quantities and/or delivery schedules. Delivery orders are used to place specific and detailed orders against IDTCs.

Any fixed-price or cost-reimbursable pricing mechanism or combination of pricing mechanism cited in Federal Acquisition Regulation (FAR) Part 16 can be utilized by the PCO to effect an IDTC. Many factors play a part in the selection of the pricing mechanism for a contract:

- \* Price Competition
- \* Price Analysis
- \* Cost Analysis
- \* Period of Performance
- \* Technical Capability
- \* Financial Responsibility
- \* Type/Complexity/Urgency of Requirement. [Ref. 3:pp. 16-1--2]

The primary decision hinges on the determination of financial risk. Firm fixed-price (FFP) contracts are best used when requirements are easily definable and predictable. Cost reimbursable contracts are appropriate when a high degree of uncertainty exists. When any incentive-type contract is selected (except FFP), the PCO must write a Determination and Finding (D&F) to state why that particular contract type is most advantageous to the Government. The IDTC must include all applicable clauses for each mechanism, whether it is a fixed price or cost reimbursement contract.

Once the IDTC (fixed-price or cost-reimbursement) is determined, a decision must be made whether to retain delivery order authority at the contracting activity or to delegate it to ordering officers at the customer activity. If ordering authority is delegated, the ordering officer must be "appointed in writing by the appointing official at the designated ordering activity." [Ref. 4:p. 2] Upon the subsequent determination of delivery schedule, location, and/or quantity specifics, PCOs or ordering officers at the customer activities issue delivery orders to contractors for the services specified in the basic IDTC. By placing orders, and thereby obligating funds, ordering officers essentially act as contracting officers within the limitations of their appointed authority and within the ordering limitations assigned in the IDTC.

It is highly recommended that the contracting officer's activity retains ordering authority for delivery orders if the pricing mechanism for the IDTC is other than FFP [Ref. 1:p. 10]. The reasons for this are threefold. First, delivery orders for other than FFP services are complex and can become controversial if they do not adequately clarify the Government's requirements of the contractor. They must specify and detail these requirements:

...within the scope of the basic contract and avoid organizational conflicts of interests, personal services, inappropriate use of funds, and commodity buying outside the organizational mission. [Ref. 1:p. 9]

Second, the delegation of ordering authority reduces the control the PCO has over the contract. No longer in direct control of the contract, the PCO must ensure that the designated ordering officer is qualified, skilled and trained to a level commensurate with the limits of his ordering authority [Ref. 1:p. 9]. Third, though the ordering officer is formally appointed as the PCO's delegate, the PCO:

...remain(s) ultimately accountable for the actions taken by authorized ordering activities under the PCO's contract(s). Accordingly, whenever possible, PCOs should conduct post-award conference/training with activities authorized to place orders against their IDTC. [Ref. 1:p. 10]

Total funding under an IDTC cannot be predicted because there is usually no limit to the number of delivery orders (with the exception of Definite Quantity Contracts), which may be placed against it. Therefore, it is necessary that:

...funds obligated, labor hours expended, costs incurred, etc., are carefully tracked (on spread sheets) for each contract year/period of performance...by the Contracting Officer, designated ordering officer(s) and COTR....In addition, each ordering activity should assemble a file with a copy of the contract and its applicable modifications, and all contract spread sheets for ordering officer reference. Once orders are placed against the contract, they too, should be inserted in this file and the spread sheet modified to reflect each order. [Ref. 1:p. 10]

Ordering officers provide copies of the delivery orders to the PCO at the contracting activity for filing and to keep him informed. Appendices E and F are examples of spread sheets for cost-reimbursement and time and material contracts, respectively.

Delivery order limitations, ordering procedures and a list of the activities authorized to issue orders under the IDTC as well as the name and responsibilities of the COTR are identified in Section H of the contract [Ref. 1:p. 10]. The placement of these delivery orders is considered a unilateral right of the Government as long as it falls within the scope of the contract. Fixed-price orders placed against IDTCs for services are classified as Type I delivery orders; whereas, cost-reimbursable orders placed against IDTCs are classified as Type II delivery orders [Ref. 5:p. 1.6-16].

While IDTCs were initially used to buy large quantities of standard and repetitive commercial items, innovative applications of this contract type for a myriad of other purposes have become standard fare. Figure 1 highlights the



flexible qualities of the IDTC and illustrates the three forms an IDTC can take.

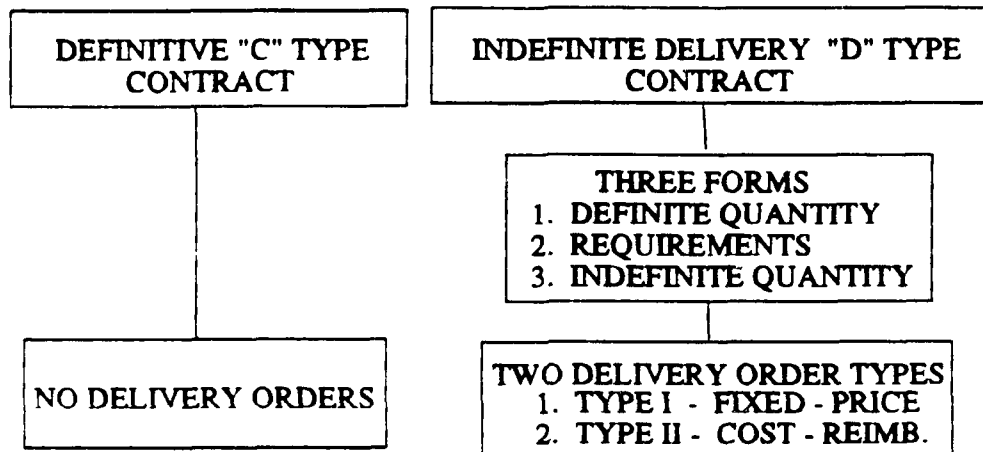


Figure 1. Contract Types

Subpart 16.5 of the FAR describes and discusses the application of each form. They are briefly addressed in Part 216.5 of the Department of Defense FAR Supplement (DFARS). The current Navy Acquisition Procedures Supplement (NAPS) provides no further guidance or amplification. An IDTC handbook, NAVSUP Publication 570 Indefinite Delivery Type Contract Guidebook, published in 1988, is available to "acquaint (contracting officers) with the principles applicable to such contracts so that (they) can avoid some of the (controversy and disputes) which may be encountered" [Ref. 1:p. 1].

The following discussion is derived from the FAR Part 16.5 and the NAVSUP Publication 570 addresses the advantages and disadvantages of each of these three IDTC forms.

1. Definite Quantity Contract (ID-DQ)

This form of contract supports the performance of specific services at designated locations for a given contract period. Since the actual performance schedules are unknown at the time of award, subsequent delivery orders are relied upon to identify the times at which the services are required. Though the delivery orders specify performance dates and quantities, the prices are determined in the basic contract. Definite quantity contracts are useful when the services needed are immediately available on-call or can be obtained within a short time.

a. Advantages

- \* Offers flexibility with regard to both scheduling and number of service calls up to the limits specified in the contract
- \* Limits the obligation of the Government and permits more efficient ordering since services do not have to be acquired until after the need materializes
- \* Provides a more stable price platform from which to negotiate since the contract ensures the contractor a firm minimum quantity
- \* Requires less administrative effort than individual contracts.

b. Disadvantages

- \* Requires funding up to the minimum quantity specified by the contract

- \* Limits the Government to the use of only one source for the duration of the contract performance period
- \* Requires strict monitoring and accounting of each order's financial obligation to ensure they remain within the limits of the delivery orders cited in the contract
- \* Calls for more administrative effort and cost than a definitized "C" contract in which the time and place are specifically established up front by technical direction letters.

## 2. Requirements Contract (ID-RC)

This form of contract supports exclusive delivery from one supplier of specified services for a fixed period of time. In other words, once the contract is in place, the contractor is treated as a sole source for all of the services specified in the contract. Special care must be taken to ensure the SOW is well-defined and does not overlap any IDTCs with similar SOWs. A breach of contract can occur if parallels can be drawn between SOWs. Since firm delivery dates and quantities are not known at the time of award, the issuance of delivery orders are relied upon to identify the required times and quantities of services. Requirements contracts are useful when the Government anticipates repetitive services, but cannot precisely define the quantities needed during the contract performance period. In this form of an IDTC, the Government provides a good faith estimate based on past experience and future needs of the total deliveries expected to be required during the specified contract time, but unlike the definite quantity contract, the

Government is not held accountable to order any particular quantity. The contract does establish a maximum delivery order limit, if practicable, above which the contractor is no longer unilaterally committed to perform. Additionally, a limit may be placed on the amount the Government may order during a certain period of time. Finally, the contract may specify a minimum quantity that the Government must obligate per individual service order given considerations to economy and efficiency.

a. Advantages

- \* Offers flexibility with regard to times and quantities of service deliveries up to the limits specified in the contract
- \* Limits the obligation of the Government and permits more efficient ordering since services do not have to be funded until actual needs become known
- \* Requires no minimum order guarantee
- \* Facilitates procurement efforts by requiring less administrative burden than individual contracts
- \* Produces savings to the Government through price advantages over individual contracts since requirement contracts represent a greater potential to the contractor for consolidated service requirements.

b. Disadvantages

- \* Requires strict monitoring and accounting of each order's financial obligation to ensure they remain within the limits of the delivery orders cited in the contract
- \* Limits the Government to the use of one source for the duration of the contract performance period. This in turn leaves the Government vulnerable to unsatisfactory performance that can take a substantial amount of time to fix

- \* Relies on best estimates based on prior demands and anticipated needs requirements. These can unnecessarily constrain order limits during unstable demand patterns when a higher than estimated number of orders are required
- \* Possesses the potential for breach of contract legal actions if another contract is awarded with a similar SOW.

### 3. Indefinite Quantity Contracts (ID-IQ)

This form of contract supports delivery of an indefinite quantity of designated services for a specified contract period. Whereas a requirements contract has no guaranteed minimum, this contract requires a minimum obligation by the Government at the time of contract execution whether any delivery orders are ever placed against it or not. Subsequent delivery orders are relied upon to identify the delivery schedules, designate the specific performance quantities and obligate funds above the minimum value already obligated. Prices and estimated costs are set in the basic contract. The basic contract also states a maximum quantity above which the contractor is not obligated to perform. Indefinite Quantity Contracts are useful when the minimum amount of required services can be predicted with reasonable accuracy at the time of contract award. The FAR recommends that this particular form of contract only be utilized for commercial-type services that are recurrent in nature [Ref. 3:p. 16-12].

a. Advantages

- \* Limits initial obligation of Government funds to the minimum quantity cited in the basic contract with subsequent delivery orders obligating additional funds as necessary
- \* Permits more efficient ordering since services, beyond the minimum, do not have to be funded until actual needs materialize
- \* Allows the Government to seek the business of other contractors for the same services when the minimum order guarantee is satisfied
- \* Allows the Government to stop the issuance of delivery orders once the minimum order quantity is met without the administrative undertakings associated with contract terminations
- \* Produces savings to the Government through price advantages based on quantity discounts in comparison to individual contract actions
- \* Eases the procurement effort by requiring less administrative burden than individual contracts
- \* Offers flexibility with regard to times and quantities of service deliveries within the limits specified in the contract.

b. Disadvantages

- \* Requires the obligation of sufficient funds to cover the guaranteed minimum amount upon the initial execution of the contract
- \* Necessitates strict monitoring and accounting of each order's financial obligation to ensure they remain within the limits of the delivery orders cited in the contract
- \* Restricts the minimum and maximum quantities the Government may buy.

In summary, the IDTC provides the best instrument for ordering services when the requirements for delivery and/or quantity are unpredictable and cannot be made firm prior

to contract award. Furthermore, after the basic contract is in place, the IDTC eliminates the need to compete repetitive requirements. This hastens the procurement administrative lead time (PALT) and alleviates the need to negotiate on an order by order basis.

#### D. CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE

##### 1. Policy

##### a. Framework

The distribution of contract administration is addressed in FAR Subpart 42.2 and DFARS Subpart 242.2. These regulations basically state that the assignment of contract administration can be retained by the PCO's activity or delegated to a separate supporting contract administration office (CAO), usually the Defense Contract Administrative Services (DCAS). If the PCO retains contract administration responsibilities, then he must determine if he needs technical assistance in order to administer the contract properly. This is the framework on which the Secretary of Navy (SECNAV) and Naval Supply Systems Command (NAVSUP) policies both derive their requirements for a COTR.

A COTR is not necessary for every IDTC. Whether or not a COTR is required depends on several factors. The SECNAV Instruction (SECNAVINST) 4200.27 states:

Appointment of a COTR for a service or research and development (R&D) contract may be necessary if:

(1) Technical direction is necessary to clarify/define or give specific direction within the statement of work.

This will often be true of contracts for engineering services and R&D.

(2) Unusual monitoring and surveillance, beyond that which a CAO can provide, is required. Many "commercial activity" contracts, such as food, guard, and maintenance service contracts, are in this category. [Ref. 6:p. 2]

The NAVSUP policy changes tone and differs somewhat from the SECNAV guidance in that the NAVSUP Instruction (NAVSUPINST) 4205.3 "requires" that COTRs be designated when any of the above stipulations occur. In addition, the NAVSUPINST 4205.3 adds a third category to its list of conditions requiring a COTR when: "Type II delivery orders...are to be used to require performance under an indefinite delivery type contract" [Ref. 7:p. 2].

#### b. Responsibilities

Both policies burden the PCO with the responsibility to ensure the individual he appoints as COTR possesses the attributes of a competent technical advisor. The NAVSUP policy further stipulates that the PCO's responsibilities include assurance that the COTR has attended requisite NAVSUP-approved training and that the COTR "holds a position of responsibility commensurate with the complexity/technical requirements of the contract" [Ref. 7:p. 2]. The PCO must ensure that the COTR maintains an arms-length relationship with the contractor and avoids any actions which might be misconstrued or give the appearance of a personal service contract. In a similar fashion, the PCO must ensure that a sufficient separation of functional responsibilities is



preserved between the duties of the COTR and ordering officer. For example, he must make certain that if a COTR's duties involve assisting the ordering officer with the origination of a requirement, then that COTR cannot be assigned to approve the performance of the same contract. Care should be taken so that undue concentrations of responsibilities do not cause overlaps and make contracts vulnerable to conflicts of interests and other abuses.

The NAVSUPINST 4205.3 also calls for the PCO to include contractor monthly reporting requirements in any contract which designates a COTR:

...to provide an adequate basis for the COTR to monitor contract performance....The report shall require information such as the number of hours expended, the total costs incurred, the average hourly rate incurred, accomplishments to date, data status and delivery, etc. The report shall be sent to the PCO, COTR and the Ordering Officer (if applicable). This requirement can be fulfilled by inclusion of a data requirement on the DD Form 1423 (Contractor Data Requirements List). [Ref. 7:p. 4]

The responsibilities of the COTR entail many facets. Acting as a technical liaison, he is the contractor's primary point of contact in the Government for any technical issues or problems that may need to be interpreted or relayed to the PCO. As a monitor of the contractor's performance, the COTR inspects and accepts. He ensures resumes and labor mixes match contract specifications. He keeps track of cumulative hours incurred against the contract by labor category and compares them with estimates and negotiated hours. He is a watchdog looking for fraud, waste

and abuse as well as a surveillant overseer observing the contractor's compliance or noncompliance with the contract's terms and conditions. When a COTR detects deficiencies in the contractor's rate of performance or quality of service, he reports them to the PCO. The PCO relies on him to assist in the process of contract modifications when changes are required to the basic IDTC. Ordering officers rely on their expertise with changes to delivery orders. The COTR must be alert as to what falls within the scope of work defined in the basic contract and what constitutes new procurement.

Documentation duties also accompany these responsibilities. The SECNAV guidance states that COTRs should report to the PCO "periodically" the total hours accumulated in each labor category resulting from task orders [Ref. 6:p. 3]. The NAVSUP instruction includes additional responsibilities for the submission of written reports and the maintenance of files by the COTR. The reports must be submitted within 60 days of contract completion, but no less than once a year. They should include all documentation related to COTR actions and "address all aspects of contractor performance including cost effectiveness, quality and timeliness of contractor performance" [Ref. 7:p. 5]. The files should be maintained by the COTR in contract and/or delivery order sequence and be comprised of:

...documentation relative to the actions taken as COTR....  
(to) include (a) copy of (the) contract and/or delivery order; modifications; and when applicable, documentation on

technical clarification and direction provided to the contractor; documentation regarding disposition of Government furnished material/property and classified material; documentation regarding contractor performance. [Ref. 7:p. 5]

Appendix G provides a more inclusive list of COTR responsibilities.

The current COTR policy prevents the PCO from assuming that all of his contract administration burdens will be taken care of by the COTR. According to SECNAV,

...technical personnel are a scarce and expensive resource ... (therefore) ... It is inappropriate to utilize technical personnel as contract administrators. Assignment of clerical or routine administrative duties to the COTR shall be minimized. [Ref. 6:p. 3]

Both SECNAV and NAVSUP policies limit the COTR's responsibilities to "technical direction/clarification and administrative duties within the scope of the contract, as assigned in writing by the PCO." [Ref. 6:p. 2] This policy also limits the PCO's ability to delegate contract administration tasks. For instance,

...it is appropriate to task the COTR to review invoices to ensure the general appropriateness of types and quantities of labor and materials to the tasks being performed. However, it is inappropriate to require the COTR to perform a detailed review of invoices for mathematical accuracy, compliance with contract cost principles, or similar purposes. [Ref. 6:p. 3]

In other words, anything the PCO might ever need the COTR to do within the bounds of technical guidance and certain restricted administrative tasking needs to be delineated in the CAP, the COTR appointment letter and the contract.

Once all of the responsibilities are defined, the PCO can determine if additional assistance is needed above and beyond the COTR from the requiring activity. The SECNAV COTR instruction alludes to this:

When the administrative burden of the contract is significant, as is typically the case if numerous orders will be placed, it may be appropriate to explore with the cognizant technical manager the availability of administrative resources to support the COTR. [Ref. 6:p. 4]

In addition to constraining the duties the COTR can perform, both policies dictate that there are certain areas in which he is forbidden to act. Specific regulatory statements point out that COTRs have no authority to:

...take any action, either directly or indirectly, that could change the pricing/cost or fee, quantity, quality, scope, delivery schedule, labor mix or other terms and conditions of the contract and/or delivery order. [Ref. 7:p. 2]

A COTR is not an ordering officer and should exercise care in providing guidance so that his direction does not lead to unauthorized commitments.

The duties of a COTR cannot be delegated; however, alternate COTRs may be assigned. Selection criteria are the same for the alternates as for the regular COTRs. In general, only one COTR is appointed per contract to facilitate having a single liaison point. Exceptions to this requirement are service contracts for activities with widespread locations which would require excessive travel between locations if only one COTR is assigned. [Ref. 7:p. 3]

While not addressed in the SECNAV nor NAVSUP guidance, the Naval Regional Contracting Center (NRCC), San Diego, California, makes provisions in its COTR instruction (NRCCSDINST 4205.7) for a COTR assistant called the Navy Technical Representative (NTR). When the scope of an IDTC requires delivery orders be written across a range of technical areas too broad for one individual's technical expertise, the requiring activity may assign a NTR to provide assistance to the COTR. Though this individual assists the COTR by performing inspection and monitoring duties, the COTR is still the single point of contact between the contractor and PCO with reference to technical matters. In addition,

...the COTR remains technically responsible for contractor performance monitoring despite the assignment of NTRs. Therefore, the COTR should ensure input received from the NTRs is accurate and appropriate to the scope of the contract and delivery order. [Ref. 8:p. 5]

Before NTRs can be assigned, they must have completed NAVSUP-approved COTR training [Ref. 8:p. 4]. Appendix H provides a sample NTR assignment letter which lists in more detail the duties that can be assigned to NTRs.

## 2. Procedures

### a. Nomination of the COTR

Once it is determined that a contract requires a COTR, then the commanding officer (or his delegate) of the customer activity must submit a COTR nomination letter to the PCO of the contracting activity. This letter introduces the prospective COTR to the PCO. It cites the COTR's technical

qualifications and lays out the basic technical functions the COTR will be expected to perform. While the SECNAV instructions require that the COTR be trained prior to appointment, the NAVSUP instruction requires that a statement citing the completion date of NAVSUP-approved COTR training be made in the nomination letter. Both instructions state that performance rating elements should include the pertinent technical and administrative areas related to COTR functions for those individuals assigned as COTRs; however, only the NAVSUP instruction requires that this be addressed in the nomination letter. In addition, if COTR duties are not given consideration in performance appraisals, NAVSUP requires a statement as to the reason. A sample COTR nomination letter is contained in Appendix I.

b. Appointment of the COTR

After the nominee is deemed qualified by the PCO, the PCO formally appoints him in writing as the COTR. The appointment letter specifies the duties the COTR is expected to perform for that particular IDTC. Special reporting procedures and any other particular requirements pertaining to the specific contract are cited in the letter. The COTR then provides technical guidance and monitors service contract performance on the location at which the contractor performs. The COTR appointed for the IDTC is the COTR for all subsequent delivery orders against it. A sample appointment letter is located in Appendix J. [Ref. 7:p. 3]

When a COTR is appointed, the PCO must notify the contractor through a contract provision. A copy of this provision is in Appendix K. [Ref. 7:p. 4]

c. Monitoring of the COTR

The PCO is charged with oversight responsibility for all COTRs under his purview. He must maintain a list of all active COTRs and their alternates. This list should cross-reference the contracts under which the COTRs are appointed. Periodic reviews must be made by the PCOs to ensure their COTRs are performing in a satisfactory manner.

The SECNAVINST 4200.27 requires that the PCOs conduct a file and performance review of approximately one-third of their COTRs once a year as a minimum. It further specifies that "this review function may be assigned to the cognizant procuring activity's procurement management review (PMR) organization" [Ref. 6:p. 3].

The NAVSUPINST 4205.3 follows the SECNAV instruction with regard to file maintenance, but takes exception to the assignment of the review function to a PMR organization:

These monitoring requirements, including review of COTRs' files and performance is the responsibility of the PCO/procuring activity. Within the NFCS this function shall not be assigned to a procurement management review organization which is not within the same activity. [Ref. 7:pp. 3-4]

The West Coast interpretation of this direction is that COTR performance reviews are conducted on an annual basis by the PCOs. Compliance reviews, on the other hand, are conducted

by the procurement activities from which the NFCS activities derive their procurement authority. For example, the Regional Procurement Management (RPM) Department of Naval Regional Contracting Center (NRCC) San Diego, California conducts COTR Performance Reviews in conjunction with an established three-year PMR cycle for activities which receive procurement authority from NRCC San Diego to determine if the PCOs at these activities are conducting annual reviews of their COTRs. [Ref. 8:p. 3]

d. Coordination of the COTR

Although the PCO performs solely under the auspices of the NAVSUP, the COTR assigned in the contract performs assignment responsibilities both for his own requiring activity and for the PCO.

The SECNAVINST 4200.27 recommends:

...it is appropriate for the PCO and the requiring activity technical director or Commander to schedule periodic meetings to ensure prompt and coordinated resolution of any problems which arise in contract performance. [Ref. 6:pp. 3-4]

The NAVSUP instruction provides more stringent direction with regard to how often the meetings should occur:

The frequency of these meetings (i.e., quarterly, monthly, etc.) will depend upon the number and size of contracts involved, however, they shall as a minimum be conducted on a quarterly basis....The purpose of such regular meetings is to ensure that the Commander/Commanding Officer and/or Technical Director is adequately informed about the contracts involved, to maintain essential dialogue between the contracting office and requiring activity COTRs, and ensure that COTR functions are consistently applied. [Ref. 7:p. 4]



The responsibilities of the COTR require him to have a foot in several camps. He must liaison with the contractor, but maintain an arms-length relationship. He must work with the ordering officer, but maintain an adequate separation of functional responsibilities. He must satisfy the demands of his supervisor while monitoring contractor performance for the PCO.

#### E. SUMMARY

This chapter has discussed the service contract environment in which the COTR works. It has addressed the importance of how a well-defined SOW can make the job of the PCO, COTR, customer and contractor much easier to carry out. Special attention has been paid to the advantages and disadvantages of the three forms of an IDTC. The reader is now aware of the policies and procedures which the PCO, the ordering officer, and the COTR must follow. The manner in which their roles interface with each other and the contractor has been highlighted.

Chapter III will analyze specific COTR-related deficiencies found during West Coast NFCS PMRs over the past two and a half years. The finding, its reference and an analysis will be provided.

### III. ANALYSIS OF PROCUREMENT MANAGEMENT REVIEW FINDINGS

#### A. INTRODUCTION

This chapter analyzes data extracted from Procurement Management Reviews (PMRs) of West Coast Navy Field Contracting System (NFCS) activities conducted during fiscal years 1988, 1989 and the first quarter of 1990. Because of their ease of access and uniform review procedures, the use of these PMRs facilitated the identification of common findings related to the administration of Indefinite Delivery Type Contracts (IDTCs) by Contracting Officer's Technical Representatives (COTRs).

Of the over 190 NFCS activities on the West Coast, approximately 168 had PMRs conducted within the years analyzed in this thesis. Of these 168 activities, approximately 23 utilized or had oversight responsibilities for IDTCs of the type which require the use of COTRs. A total of 86 deficiencies related to IDTC/COTR administration of Type II delivery orders was contained in 20 of the 23 PMRs analyzed.

The number of COTRs employed by these activities ranged from one to over 50. A separate breakdown of Type II delivery orders statistics was indeterminable from the data compiled for this analysis; however, the combined number of Type I and Type II delivery orders placed against IDTCs per

year per activity ranged from one to over 2650 with a mean of 672 delivery orders per year per activity. The total dollar value attributable to delivery orders placed under IDTCs (Type I delivery orders included) ranged from \$9539 to \$9,278,000 with the average NFCS activity exceeding \$2.84 million per year with a mean of approximately \$4227 per delivery order. The substantial number of outliers prevented any meaningful correlation analysis; however, these numbers do signify the dramatic diversity and vast range of funds expended under IDTCs by NFCS activities.

#### B. ANALYSIS METHODOLOGY

Procurement Management Reviews follow two formats depending on level of purchase/contracting authority:

1. PMR Report Format for an Activity with More Than \$25,000 Contracting Authority
  - \* Chapter I--Mission and Organization
  - \* Chapter II--Policies and Procedures
  - \* Chapter III--Planning
  - \* Chapter IV--Contracting, Solicitation and Selection Procedures
  - \* Chapter V--Pricing
  - \* Chapter VI--Post Award Functions
  - \* Chapter VII--Small Purchases
  - \* Chapter VIII--Management of Contracting Function.

2. PMR Report Format for an Activity with \$25,000 or Less Contracting Authority

- \* Chapter I--Mission and Organization
- \* Chapter II--Scope of Review
- \* Chapter III--Management Support and Control
- \* Chapter IV--Requirements Discipline
- \* Chapter V--Pricing Considerations
- \* Chapter VI--Competition
- \* Chapter VII--Contracting Administration
- \* Chapter VIII--Procedural Aspects of Small Purchase Methods.

Table 2 segregates PMR chapters that contain COTR-related findings into two categories--greater than \$25,000 and \$25,000 or less. Within each procurement category, the table further segregates findings into their respective PMR chapters.

Some findings are redundant because they appear in both categories. While there is some overlap between the two procurement categories, redundant findings have been combined into specific chapters in order to discuss and analyze each one. Although some of the PMR chapters appear to be outside the scope of contract administration, they are addressed because they often have ramifications which roll over into IDTC/COTR management.

Each finding will be discussed, followed by its reference and an analysis by the author. Analyses are formulated from a consensus of readings, PMR comments,

TABLE 2  
PMR CHAPTERS THAT CONTAIN COTR ISSUES

PMR CHAPTERS THAT CONTAIN COTR ISSUES	
ACTIVITIES WITH > \$25,000 AUTHORITY	FINDINGS
CH II : POLICIES & PROCEDURES	1
CH III : PLANNING	2
CH IV : CONTRACTING, SOLICITA- TION & SELECTION PROCEDURES	1
CH V : PRICING	4
CH VI : POST AWARD FUNCTIONS	7
ACTIVITIES WITH ≤ \$25,000 AUTHORITY	FINDINGS
CH I : MISSION & ORGANIZATION	1
CH III : MANAGEMENT SUPPORT & CONTROL	6
CH V : PRICING CONSIDERATIONS	4
CH VII : CONTRACTING ADMINIS- TRATION	6

interviews and discussions with contracting personnel, inspectors and managers associated with the administration of IDTCs and COTR management; therefore, specific references to interviews are used only when the viewpoint is not shared by the comments of other interviewees.

### C. SPECIFIC FINDINGS

The following paragraphs will analyze each PMR finding in the order presented in Table 2. Findings from activities with more than \$25,000 contracting authority are analyzed first, followed by those identified in PMRs at activities with \$25,000 or less procurement authority.

#### 1. Activities with More than \$25,000 Contracting Authority

For the two contracting activities deriving their procurement authority (greater than \$25,000) from the Naval Supply Systems Command (NAVSUP), findings were taken from Chapters II, III, IV, V and VI of the PMR. These findings are oriented primarily around the management of IDTCs and monitoring of COTRs from a procuring contracting officer (PCO) standpoint. A total of 15 findings were determined as significant because they were deficiencies common to both activities and/or were judged by the author to be critical to IDTC/COTR management.

##### a. Policies and Procedures

Table 2 delineates one significant finding in this area. Deficiencies coming from this PMR chapter are the result of inadequacies in contracting instructions and outdated procedures pertaining to contracting officer appointments, contract review boards, legal review, preparation and control of internal and external (DD 350 and DD 1057) reports, timely distribution of contracts and

modifications, and file documentation [Ref. 10:p. 12]. The finding is set forth in the following paragraph.

Finding: Inappropriate Contract Distribution

Reference: FAR 4.201(f) requires that contracting officers "provide copies of the contracts and modifications to those organizations required to perform contract administration support functions." [Ref. 3]

Analysis: Activities did not always comply with this regulation and appropriately distribute IDTCs. For IDTCs, COTRs and Ordering Officers need to have a copy of the contract to place orders and perform other contract administration functions. Most reviewers queried about this discrepancy stated that it occurs most often as a result of administrative oversight.

b. Planning

Two significant findings from this area are exhibited in Table 2. This chapter reviews the propriety of contract administration plans (CAPs), year-end spending, leadtime constraints, adequacy of contract requests (including specifications and statements of work (SOWs)), demand reporting, competition and sole source justifications, the Trade Agreements Act, quality control/inspection, value engineering, and non-personal services justifications [Ref. 10:pp. 12-13]. The deficient areas are discussed below.

(1) Finding One. Failure to Incorporate a Contract Administration Plan (CAP) into the Service Contract

Reference: NAVSUPINST 4330.7 Service

Contract Administration provides guidance and procedures for the development of Contract Administration Plans (CAPs) to ensure satisfactory administration of service contracts. A CAP is required to be prepared and incorporated in all service IDTCs that employ COTRs. [Ref. 4:p. 3]

Analysis: Procuring activities must ensure that requiring activity projections accurately reflect the support required in the CAP before contract award is made. Many service contract files failed to include a CAP. The failure to incorporate CAPs in service contracts can be the result of poor documentation or a disregard for regulation compliance. This pre-award documentation deficiency leads to post-award contract administration problems.

(2) Finding Two. Inadequate Advanced Planning

Reference: SECNAVINST 4205.5 states "it is appropriate for the PCO and requiring activity...to schedule periodic meetings to ensure prompt and coordinated resolution of any problems...." [Ref. 6:p. 3]

Analysis: Inadequate advanced planning is caused by a lack of communication between the procuring activity and the requiring activity. The establishment of a CAP does not guarantee that the contractual support provided will always be adequate to support the requiring activity's service requirements. For example, one PMR discrepancy cited that a predominance of the procuring activity's



Justifications and Approvals (J&As) for sole source procurements (approved by NAVSUP) were done to "bridge" current IDTCs because the requiring activity expended the level of effort set forth in the current contract at a rate that was faster than anticipated and before performance was completed. When J&As have to be issued continually for additional hours and increases of funds before a competitive follow-on contract is awarded, it becomes apparent that continued communication and planning updates are necessary. While "bridges" are sometimes needed to accommodate changing customer requirements, procuring activities must be vigilant to monitor performance patterns which may indicate systemic abuses and indicate poor planning between the requiring activity and the contracting activity.

c. Contracting, Solicitation and Selection Procedures

Table 2 identifies one significant finding generated from an analysis of this PMR chapter. The area of review consists of the effectiveness of sealed bidding procedures; effectiveness of negotiated acquisitions to include the extent of competition, effectiveness of price competition, competitive range decisions, discussions with offerors, and best and final offers; adequacy of sole source justifications; steps being taken to foster competition, Competition Advocacy Program; the solicitation process including source identification and bid room security; and

determining contractor responsibility [Ref. 10:p. 13]. The deficient area is analyzed below.

Finding: Unsubstantiated Technical Evaluations in Source Selection Process

Reference: FAR 15.608(a)(2) states source selection technical evaluations must substantiate a basis for evaluation and include a summary of findings [Ref. 3].

Analysis: When the technical evaluations performed and accepted by the Contracting Officer do not include a detailed narrative summary and findings to support their rating or ranking, the COTR can be given a contract to administer that is technically unacceptable.

d. Pricing

Table 2 lists four significant findings. The PMR chapter on pricing evaluates the organization of the pricing function--personnel and training; Request for Proposal (RFP) pricing provisions including cost proposal requirements; Public Law 87-653 clauses, Cost Accounting Standards (CAS) clauses, Service Contract wage provisions, etc.; price analysis, the reasonableness of prices paid and the pricing determinations. Cost analysis is also reviewed and includes adequacy of contractor cost proposals, technical and audit assistance and the timeliness of field pricing assistance; developing and documenting negotiation objectives, prenegotiation memorandum, certificate of current cost and pricing data, audit resolution, and timeliness of clearance

approvals. In addition, the assessment of pricing at the procuring activity also includes the type of contract and pricing arrangements such as Firm Fixed-Price, Cost, and Incentive-type contracts [Ref. 10:pp. 13-14] Deficient areas found are discussed in the following paragraphs.

(1) Finding One. Delivery Orders Issued Without Contractor Quotes

Reference: PMRs emphasized that there is no regulatory authority for issuing orders under IDTCs without requesting a quotation from the contractor.

Analysis: Several delivery orders at one activity did not contain quotes nor indicate quotations were requested from contractors before issued. The orders were written as Not-To-Exceed orders under Time and Materials/Labor Hour-type contracts. Ceiling prices were obtained from lump sum estimates provided by the requiring activities. Another contractor's hourly labor rates were used for the price analysis instead of a comparison between the Government estimate and contractor's proposal. The total number of hours, labor categories, material, and travel costs were not analyzed.

Several issues are at play in this example. First, under a Time and Materials contract, the hours used are directly proportional to the contractor's profit. Therefore, the Government must try to incentivize low cost performance throughout the whole procurement process.

Second, the hours and material/travel costs were not negotiated in advance. Interviews led to the conclusion that this is not a wide-scale problem, but it is important enough to warrant comment in this section.

(2) Finding Two. Delivery Orders Issued Without Detailed Independent Government Estimates (IGEs)

Reference: FAR 15.803(b) states: "the contracting officer shall...develop an estimate of the proper price level or value of the supplies or services to be purchased." [Ref. 3]

Analysis: One PMR asserted that a requiring activity failed to provide a definitive statement of work and an IGE for each of its requisitions for services over \$25,000. Many files reviewed did not contain adequate IGEs. The use of a comprehensive Government estimate for all delivery orders assists both the COTR and PCO in the breakdown, evaluation and questioning of contractor estimates for material, labor, travel and per diem. The reason this estimate must be independent is because it serves as a realistic and meaningful benchmark which PCOs may use to determine price reasonableness. Without a comparison against which contractor costs can be evaluated, the PCO's rationale for the determination of price reasonableness becomes questionable. Increased costs to the Government can result from faulty IGEs because contractors usually expend all of the effort allowed under the delivery order. Discussions with

inspectors noted that the main problems in this area are a function of administrative laxity and time constraints. Most files contain IGEs, but they are not fully documented.

(3) Finding Three. Inadequate Procedures for the Establishment of Fair and Reasonable Prices

Reference: FAR 15.803(c) states: "the contracting officer is responsible for exercising the requisite judgment and is solely responsible for the final pricing decision." [Ref. 3]

Analysis: When delivery orders are processed by the PCO at the procuring activity, the PCO is then responsible for soliciting the proposal, performing cost or price analysis, negotiating questionable costs, and making a supportable determination of price reasonableness. A host of specialists are available to assist him if he is uncomfortable with any of the costs or technical aspects of the delivery order. While the PCO is ultimately responsible for the determination of a fair and reasonable price, the COTR is frequently one of the individuals most technically qualified to evaluate the variance in estimated versus proposed cost proposals. The COTR's assistance should be relied on to review proposals for appropriateness of types and quantities of labor and materials.

Many of the delivery order files reviewed at one activity did not contain an analysis of proposed material/travel costs versus those estimated by the

Government. In another activity the difference between labor hours/categories estimated and those proposed was quite notable, but there was no evidence to support the variance. Moreover, when documentation existed, it lacked a sufficient basis for justification. Several delivery orders issued by the contracting activity lacked a signature by the PCO on the negotiation memorandum. Interviews indicated that these kinds of discrepancies most often occur when the PCO is rushed and fails to properly document the delivery order file. Some COTRs stated that they are seldom consulted by the PCO for technical analysis.

(4) Finding Four. Unauthorized Commitments by the COTR

Reference: NAVSUPINST 4330.7 states: "only the PCO, ACO or Ordering Officer shall have the authority to request proposals, negotiate prices and obligate the Government." [Ref. 4:p. 6]

Analysis: Pricing problems also occur when COTRs overstep their authority. Two examples are provided. The first illustrates how COTRs are sometimes over-zealous in their efforts to get delivery orders placed. The second demonstrates how administration laxity can lead to wanton Government waste.

The COTR at one activity solicited quotes, held discussions with contractors, signed unsubstantiated "negotiation memos" containing no supportable determination

of price reasonableness, typed the delivery order and then passed it to the procuring activity's PCO who signed it without a determination of price reasonableness.

In the second example, the requiring activity's COTR appeared to have predetermined the hours and other costs with contractor representatives prior to the submission of the request to the PCO. When the PCO received what was claimed to be an IGE from the COTR it was found to be an almost identical match to the contractor's proposal. No price analysis or determination of reasonableness occurred and the contractor was allowed to perform at no risk within his "negotiated" ceiling price.

e. Post-Award Functions

Seven significant findings are displayed in Table 2. The review of the Post-Award Functions is comprised of monitoring progress of contracts after award for adherence to delivery schedules, consideration for delays, default actions; Government Furnished Property (GFP/GFE); quality assurance (QA) and inspection requirements, monitoring first article acceptance; value engineering change proposals; contract closure; claims and the administration of service contracts to include ordering officer and COTR appointments, issuance of orders, monitoring minimum and maximum contract amounts, PCO feedback, monitoring performance and certification of invoices [Ref. 10:pp. 14-15]. The findings below examine post-award discrepancies.

(1) Finding One. Noncompliance with Contract Administration Plans (CAPs)

Reference: NAVSUPINST 4330.7 specifies activity responsibilities pertaining to the CAP to "ensure satisfactory administration of service contracts and avoid duplication of functions." [Ref. 4:p. 2]

Analysis: A previous finding discussed the absence of CAPs for service contracts. This finding looks into the inadequacies involving the actual compliance with the CAPs that were established.

Delivery order files at several activities showed back-up data submitted to support the Ordering Officer's position were inadequate, most notably in the area of negotiation memoranda. This deficiency was noted in many of the service IDTCs reviewed.

In addition, the NAVSUPINST 4330.7 requires that the currency of the CAPs be monitored and maintained by the PCO throughout the life of the contract. [Ref. 4:p. 5] This may be done by an annual review of the CAP concurrent with exercise of the option, or by documented review at any time during the life of the contract. At the activities reviewed, there was little indication in the files examined that consideration of the currency of the CAP was made.

Interviews reflected that this finding is a function of personnel shortages, time constraints, and administrative laxity.



(2) Finding Two. Inadequate Monitoring of  
Service Contracts

Reference: NAVSUPINST 4205.3 states:

To provide an adequate basis for the COTR to monitor contract performance, the PCO shall include a requirement ...for a status report to be delivered on a monthly basis (from the contractor). [Ref. 7:p. 4]

Analysis: The PCO, Ordering Officer, and COTR are required to monitor IDTCs. The monitoring of these service contracts includes the tracking of: funds obligated, labor hours expended, average hourly rates incurred, total cost incurred, and accomplishments to date. This monitoring is necessary to ensure contract ceilings are not exceeded and that labor mixes are appropriate for services received. In addition, diligent monitoring helps identify fraudulent actions. One of the primary tools used to conduct this monitoring is the contractor's status report.

The PMRs exposed deficiencies in the monitoring of IDTCs. The PCOs', ordering officers' and COTRs' failure to monitor contractor progress reports contributed heavily to this discrepancy. Activities in many cases did not include the requirement for status reports in the basic IDTC. This lack of compliance with the regulation is caused by administrative laxity and lack of knowledge by procuring activity personnel. It results in the Government's loss of control over the IDTC. It can also result in problems with invoking termination for default rights. For

example, contractor performance at one activity was inadequate and resulted in a rejection at time of inspection. File documentation reflected that the contractor was delinquent in correction efforts and the due date for receipt of corrected material was past with no indication of whether acceptable material was delivered. In this case, untimely contractor monitoring was responsible for the Government waiving its right to a termination for default.

One PMR stated that IDTC service contracts were poorly administered because supervisors did not assign actions to administrators based on grade level and complexity. Besides highlighting the impact management deficiencies can have on IDTCs, this finding demonstrates the need for communication and training among PCOs, ordering officers and COTRs.

(3) Finding Three. Inadequate Control Over Requiring Activities

Reference: NAVSUP Publication 570 states: "PCO's are cautioned that they remain ultimately accountable for the actions taken by authorized ordering activities under the PCO's contract(s)." [Ref. 1:p. 10]

Analysis: Procuring activities examined were not exercising sufficient control over requiring activity ordering officers and COTRs in many cases. Reviews of delivery order files at activities indicated many reoccurring deficiencies which had not been corrected by the

PCO. Several of the deficiencies found in the PMRs are listed below.

- \* Contractor's complete cost estimate (proprietary cost information) was made a part of the delivery order in violation of the Privacy Act and the Freedom of Information Act.
- \* Delivery orders incorrectly assigned COTR functions to activities and individuals other than those specified in the IDTC and CAP.
- \* Delivery orders were issued outside the scope of work of the basic contract.
- \* Delivery orders were issued outside the scope of work of the basic contract requiring Organizational Conflict of Interest (OCI) provisions which were not included in the original IDTC. The delivery orders issued required the design contractor to review and approve/disapprove a contractor's request for contract deviations. The delivery orders were out of scope as: (1) the contract did not include OCI provisions to protect the Government and ensure impartiality on the part of the design contractor; (2) the statement of work did not allow for services of this type; and (3) the task required the contractor to perform an inherently Government function.
- \* Delivery orders with annual appropriations for services were issued for a more than one-year period. The IDTCs were for a one-year period with options for additional one-year periods, allowing a typical 30-day period for contractor to complete tasks commenced during the ordering period. Issuing delivery orders which required performance for more than 30 days after the expiration of the contract (option year) created unauthorized contractual commitment

These discrepancies display an "out of sight, out of mind" mentality which plagues the contract administration function. It reinforces the need for PCOs to conduct ordering officer reviews to ensure that delivery orders are placed in accordance with the terms of the contract and the contract administration plan. They also

show a need for ordering officer and COTR training. Ordering officers interviewed indicated that the cause of many of these discrepancies is misinterpretation of regulations and an inability to get in contact with the PCO to clarify issues. Procuring activities blame personnel shortages, time constraints, and the excessive number of production-oriented contract actions they must perform for their inability to control requiring activities.

(4) Finding Four. Deficient Procedures For Exercise of Options

Reference: FAR 17.207 requires that prior to exercise of an extension option, the PCO must ascertain that funds are (or are reasonably expected to become) available; that the requirement satisfies an existing Government need; that exercise of the option is the most advantageous means of satisfying the requirement; and that unless the option was addressed in the synopsis of the original solicitation, exercising the option has been synopsized. The FAR also requires that the contractor be provided with written notice of the Government's intent to exercise the option. [Ref. 3]

Analysis: An option is described in FAR Part 17 as a unilateral right in an IDTC which allows the Government to purchase additional services for a given time or to extend the contract's period of performance [Ref. 3].

One activity's analyses to support the exercise of options were deficient because they failed to address all the factors mentioned in the above reference. In some contract files, the analyses were missing entirely. The PMR found that prior to the exercise of an option the PCO failed to ascertain whether or not the requirement would continue as set forth in the option. Failure to obtain and review the annual COTR report on the contractor's performance as required by NAVSUPINST 4205.3 contributed to this problem. Furthermore, findings showed that PCOs often did not review service requirements prior to the exercise of options nor make determinations that the services were nonpersonal in nature. Reviews also showed that contractors did not receive proper notices of the Government's intent to exercise an option. Likewise, PCOs failed to conduct proper negotiations and obtain new wage determinations from the Department of Labor.

The procuring activity must ensure that COTRs submit the mandatory annual report of the contractor's performance, and that this report is used in the documentation to show a Government need still exists. Option abuses were blamed on a lack of understanding by ordering officers, lack of compliance by COTRs, and a lack of proper monitoring of the requiring activity by the PCO.

(5) Finding Five. Failure to Identify Government Furnished Property (GFP)

Reference: FAR Part 45 requires that PCOs identify GFP furnished to contractors including the estimated value of the GFP, and appoint a property administrator.

[Ref. 3]

Analysis: Ideally, GFP should be identified (including estimated value of the GFP) in solicitations, contracts and delivery orders where GFP is furnished to contractors. Findings in PMRs indicate that this is not always the case. Conversations with NFCS personnel communicated that the reason for this discrepancy is largely due to changes in the SOW that add GFP, but then the modification to the IDTC never gets documented. Administrative oversight also leads to the failure to appoint Government property administrators. The NAVSUPINST 4330.7 implies COTRs are responsible to the PCO for GFP. Of the several COTRs interviewed, most stated that they relied heavily on the property administrator for procedural compliance.

(6) Finding Six. Failure to Select Proper Contract Type

Reference: FAR 16 specifies contract types, their description, application and limitations. [Ref. 3]

Analysis: Activities occasionally selected the wrong contract type for the task to be accomplished. Examples included delivery orders which used Cost-Plus-Award-Fee contracts in situations in which Time and Materials/Labor Hour or Completion-type tasks were more appropriate. This

discrepancy indicates the need for a better understanding of contract applications and limitations by PCOs and ordering officers.

(7) Finding Seven. Failure to Administer Delivery Orders Properly

Reference: FAR 16.506(d)(4) specifies that delivery orders under IDTCs shall contain the delivery or performance date [Ref. 3].

Analysis: At one activity, indefinite delivery orders were placed specifying a period of several months vice a specific date. This made it impossible to determine when the service was to be performed. In another example, under a Time and Materials Contract, delivery orders were issued as Not-to-Exceed (NTE) lump sum orders without any estimated number of hours. References to line items from the contract and material cost/travel costs were not itemized on the purchase request or resultant delivery order.

2. Activities with \$25,000 or less Contracting Authority

Findings were primarily taken from Chapters I, III V and VII of PMRs conducted by NRCC San Diego at the 18 contracting activities deriving their procurement authority (\$25,000 or less) from the NRCC. These findings are oriented chiefly around COTR procedures and the contract administration of delivery orders from a requiring activity standpoint. For the purpose of this study, findings in this category are

limited to discrepancies found in four or more of the 18 PMRs.

a. Mission and Organization

Table 2 indicates that one finding from this PMR chapter was determined to be significant. The PMR chapter reviews the adequacy of mission and organization; assigned contracting authority; and organizational structure of contracting activity.

Finding: Insufficient Organizational Structure of the Contracting Activity

Reference: None Cited

Analysis: While this discrepancy appears on the surface as an overly-generalized catch-all finding which has many offshoots, the specific organizational structure of the requiring activity merits more than a "motherhood" comment. The issue of the organizational network must be addressed as an entity in itself because it represents the environment with which the COTR must interact to perform his administrative duties. Many of the deficiencies noted in this finding will be discussed in more detail under other chapters, but this finding illustrates what a pervasive impact one finding, such as an ineffective organizational structure, can have across the entire spectrum of contracting at a requiring activity. Interviews with inspectors indicated that this discrepancy is primarily caused by three



factors: (1) lack of functional control; (2) resistance to change; and (3) personnel shortages.

The lack of effective functional control over contracting at the requiring activity fosters a more quasi-clerical procurement function and leaves an organization more vulnerable to the squandering of resources and potentially abusive practices. This lack of effective managerial control often finds its roots in apathy and low priority management attention. Interviews with COTRs revealed that while most COTRs feel their job is necessary and important, some stated that they do not feel their administrative efforts are adequately represented nor supported in mission-oriented management structures. For example, one individual received notice shortly before a PMR that he was the COTR because the previous COTR had transferred without having his duties reassigned. The organizational structure permitted this to occur and resulted in poor managerial attention because the COTR duty was not deemed mission essential. No oversight considerations were given for proper training, nomination, appointment, nor contract documentation pass down.

It was noted that realignment efforts required to bring an activity under more centralized or functional control frequently encounter resistance. Even though commands may be committed to organizational changes on paper, resistance to putting these "official" changes into actual use seriously undermines the requiring activity's ability to

benefit from the more effective controls and oversight of a more centralized organizational structure. One activity took no action to correct any of the PMR contract administration discrepancies. No evidence of the execution of corrective actions was observed during a follow-up review. All matters pertaining to the administration of the contracts continued to be accomplished by personnel other than the Ordering Officer and COTR. No organizational structures were in place at the requiring activity to ensure adequate oversight and a clear game plan for executing administrative duties assigned under the IDTCs. Liaison between the Ordering Officer, COTRs and PCOs was nonexistent.

In addition to the concerns with the overall functional organization, personnel shortages impact staffing and the alignment of responsibilities. One PMR described this problem in the following:

The current branch supervisor is inordinately tasked to personally ensure (COTR) functions are executed for the (IDTC). This is a virtually impossible task in conjunction with other extensive supervisory functions for the considerable number of significant contracting actions in-house under this individual's supervision.

Mission and organizational aspects with regard to the administration of IDTCs by the COTR work force set the stage for the further analysis of more specific PMR findings.

b. Management Support and Control

Table 2 shows six significant findings were identified from this area of review. The PMR chapter on

Management Support and Control evaluates correction of prior PMR findings; adequacy of staffing; training; management information; customer responsiveness in the support area and adequacy of purchase description; separation of functions and other safeguards against fraud; misapplication of contracting authority; and selection of purchase methods in the management area.

(1) Finding One. COTR Nomination/Appointment/  
Assignment Deficiencies

Reference: NAVSUPINST 4205.3 requires the COTR to be nominated in writing by the requiring activity commanding officer or designee. The PCO shall formally appoint the COTR by a letter tailored to fit the specific contract involved. The COTR must be technically knowledgeable, trained, and hold a position commensurate with the complexity of the contract. Duties are not redelegable.  
[Ref. 7:pp. 2-3]

Analysis: PMRs revealed many individuals were functioning as COTRs under current contracts, but had not been nominated and duly appointed as required by the above reference. At one activity, the Commanding Officer directly issued the COTR appointment letter instead of sending a nomination letter to the PCO. Another activity assigned an individual as the COTR, yet the appointment letter from the PCO indicated a different individual as the

COTR. Activities must ensure that each basic contract clearly cites the correct individual as the COTR. Several COTRs indicated that efforts to modify contracts with updated COTR assignments had not been successful. Still, before an individual can act as a COTR, he must be appointed by the PCO in the contract and if that person changes, the contract must be modified to reflect this administrative change.

It is the responsibility of the requiring activity to ensure individuals within their command are in full compliance with all regulatory mandates prior to executing assigned duties. This discrepancy was one of the most common among the 18 activities reviewed. While it may only seem as a minor documentation oversight, this discrepancy is particularly noteworthy because the official appointment is meant to serve as the vehicle through which COTR duties are clearly delineated and to ensure appointments are predicated upon current training and qualifications.

An area of interpretation surfaced in one PMR. Paragraph 5f of the reference specifically prohibits more than one COTR on the same contract. Conversely, paragraph 5d requires the COTR to have extensive technical expertise in the area of performance of services and also to hold a position with a level of responsibility commensurate with the complexity/technical requirements of the contract. In two mentioned cases the activity could not fully comply.

One contract used by the activity had three widely separate geographical areas of performance. The activity had three COTRs monitoring performance for those locations. One COTR could not possibly effectively monitor contractor performance at all three sites. In the other case, an engineering services contract was used by three technical branches at the activity with distinctly different areas of technical cognizance. One of the branch heads was designated as the sole COTR for the contract. This complied with the requirements of paragraph 5d for orders placed in support of the one branch; however, this individual did not have the technical expertise or the necessary vested interest in requirements generated by the other branches. Policy guidance was requested from Naval Supply Systems Command for this issue. A waiver was subsequently granted.

Another PMR discovered a budget and financial specialist as the COTR for engineering, technical and support services, as well as test and evaluation of airborne weapon systems. While the COTR maintained adequate administrative control, he was completely dependent upon task managers for technical oversight. As the PCO's primary point of contact for the technical matters, the COTR must be technically qualified to oversee all technical issues during the life of the contract.

(2) Finding Two. Position Description  
Deficiencies

Reference: SECNAVINST 4205.5 states, "COTR performance should be considered in rating the individual assigned COTR functions, and PCO input should be requested."

Analysis: COTR duties were not included in the position description of some of the COTRs assigned at requiring activities. In addition, the COTR function was not included as an evaluation element in the performance appraisal for several COTRs.

Interviews with COTRs and reviewers indicated COTRs spent 20 to 25 percent of their time performing COTR-related duties. Their jobs merit comment. From a subjective standpoint, the reason the COTR function is not included as an evaluation element is that of requiring activities to interpret the job as a duty being performed for someone else. It is the opinion of this researcher that the PCO should sell the role of the COTR to the requiring activity's CO as a position which, if given support, will prove to be in the requiring activity's own best interest.

(3) Finding Three. Ambiguous and Incomplete Statements of Work (SOWs)

Reference: NAVSUP Publication 570 requires that SOWs "are to define the Government's minimum, essential needs and are to be as explicit as possible." [Ref. 1:p. 3]

Analysis: A wide range of services that a contractor can perform is normally incorporated in the Statement of Work (SOW) for the basic IDTCs. Each IDTC

specifies a general category of service as well as general provisions related to performance. When a need arises at the requiring activity, the ordering officer must review the statement of work of the available contracts and decide which contract, if any, can meet the need.

Many of the discrepancies cited in the PMRs with regard to this finding were the result of administrative shortcomings and misinterpretations of value specifications. Statements on the delivery orders at some activities failed to provide a list of GFP and thereby created a potential for problems in the area of management and accountability of equipment. In other cases the SOW in delivery orders was not adequately definitive. General statements such as: "Provide a wide range of detailed studies and reports ---"; "Periodically provide on site representation ---"; and "Assist --- in preparation for the semiannual planning conference" are not definitive enough to provide a basis for any meaningful negotiation of a ceiling price for the task. Another contention to face with SOWs that are not definitized is that the resultant requirement for frequent direction can be strongly indicative of personal services.

One particular example disclosed a delivery order placed against an IDTC for nonpersonal engineering services which tasked a contractor with conducting an analysis of Government labor and cost estimates and evaluating

shipyard Job Estimates Sheets developed for repairs and ship alterations (a service task).

FAR Subpart 37.2 defines advisory and assistance services, as well as outlines the types available and exclusions from use. It is important for the requiring activity to review carefully all tasks to ensure that performance properly falls within the purview of the basic IDTC's statement of work.

(4) Finding Four. Inadequate Separation of Functions

Reference: NAVSUPINST 4205.3 states that the PCO should ensure there is adequate separation of functions when appointing a COTR. [Ref. 7:p. 2]

Analysis: Reviews showed inadequate separation of functions at several activities. One PMR revealed that the individual assigned COTR duties under one service contract was also functioning as an ordering officer. This same individual was the supervisor over several ordering officers under the same contract. None of these individuals had received required NAVSUP training nor had they been appropriately warranted to place orders under the contract. The PCO failed in his responsibilities to perform in a competent manner by not checking on the COTR nominee prior to appointment. Not very many activities were as blatant as the above example and the problem can be traced to a lack of training and ignorance of the regulations.



(5) Finding Five. Improper Management Controls

Reference: NAVSUPINST 4205.3 addresses COTR restrictions in the following:

...the COTR does not have the authority to take any action, either directly or indirectly, that could change the pricing/cost or fee...or other terms and conditions of the contract and/or delivery order. [Ref. 7:p. 2]

Analysis: Misapplications of contracting authority occur because improper management controls are embodied within the contract. For example, one PMR revealed a contract that stated no overtime would be authorized without the prior approval of the Contracting Officer or COTR. This was incorrect. The COTR is not authorized to approve overtime. At the same activity, the contractor and COTR constructively changed the contract requirement from contractor-provided "posters and brochures" to "flyers and business cards." There was no evidence in the file of PCO approval or a modification to accomplish the change, as well as evidence of a request for adequate or appropriate consideration. In addition, there was no evidence in the file of resumes showing qualifications of contractor personnel as required by the purchase order for review by the COTR.

Errors and lack of management controls in the basic IDTC multiply with delivery orders. The PMRs offered many examples. Interviews with COTRs disclosed that this discrepancy occurs when COTRs fail to communicate up front with the contractor exactly what their position is so

that the apparent authority issue gets remedied. It seems that many of the discrepancies resulted from unintentional actions.

(6) Finding Six. COTR Training Deficiencies

Reference: NRCCSDINST 4205.7 requires successful completion of the NAVSUP-approved COTR training and recommends the course be taken every three years to ensure currency [Ref. 8:p. 2].

Analysis: Lack of training was a major finding in most PMRs. Many COTRs had not attended the NAVSUP-approved COTR training or refresher training in the last three years as required by the reference above.

NRCC San Diego recommends updated COTR training every three years to promote dialogue regarding lessons learned, new policy and procedures, and discussions on the impact that current procurement statutes and legal decisions have on the COTR function [Ref. 7:p. 2].

Many of the COTRs and reviewers interviewed voiced complaints concerning the content of the NAVSUP course. They felt the course was too theoretical and legalistic and not tailored to the specific duties that COTRs must face in the "real world."

Currently the only course fulfilling this requirement is presented by Regional Procurement Management staffs in the Naval Regional Contracting Centers and their

detachments. A new three to five day COTR course is in the making at NAVSUP [Ref. 9].

c. Pricing Considerations

Table 2 reflects four PMR findings. Deficiencies coming from Pricing Considerations are the result of inadequacies in pricing justification/documentation; price reasonableness; and use/availability of outside pricing assistance.

(1) Finding One. Price Proposal Technical Analysis Deficiencies

Reference: FAR 15.805-4 states in part:

When cost or pricing data are required, the contracting officer should generally request a technical analysis of proposals, asking that requirements, logistics, or other appropriate qualified personnel review and assess as a minimum--quantities and kinds of material proposed, need for the number and kinds of labor hours and the labor mix, special tooling and facilities proposed, reasonableness of proposed scrap and spoilage factors, and other data that may be pertinent to the cost or price analysis. [Ref. 3]

Analysis: Technical analysis of price proposals is complex and time consuming. It requires both experience and attention to detail. Problems arise in this area when COTRs develop a "rubber stamp" mentality. This was evidenced in many PMRs. For example, the technical analysis memorandum at one activity stated only, "I evaluate subject cost proposal to be fair and reasonable. The labor categories and hours are appropriate for the task." No effort was made to address the large hour discrepancy in the task order.

In other cases, the COTR approved the contractor's proposal without significant comment and award

was made in the proposed amount. The technical evaluation performed by the technical codes often did not adequately support acceptance of contractor's specific proposed hours and labor categories, stating only that proposed hours and categories were acceptable, without explaining why or documenting specific supporting rationale for the determination. Most technical appraisals reviewed were preprinted boiler plates signed by the COTR stating: "I have evaluated the contractor's price proposal and the basis for my recommending acceptance is set forth in the Contractor's price proposal."

Any difference of the amounts noted in proposals should be questioned, adequately addressed and resolved. There is no room for a "rubber stamp" mentality among the individuals who are relied on to monitor the contractor's performance, but it exists. Several administrative contracting officers (ACOs) said that when COTRs perform this way, it becomes obvious that they do understand that their job is to protect the Government. More attention to detail is needed in the COTR work force. Specific rationale is required to ensure a complete trail of accountability for price determination is made.

The PMRs also revealed some examples of complete, well-prepared technical analysis memorandums. In one example, the COTR specifically noted the hours proposed in a particular labor category were too high and requested

the Ordering Officer obtain a clarification. Such attention to detail allows the Ordering Officer the opportunity to do substantive fact finding with the contractor and establish realistic prenegotiation objectives. In the same memorandum, the COTR noted differences in proposed hours for two additional labor categories. The explanation for the differences was clear and logical and indicated obvious analysis was accomplished.

A need for local activity instructions providing additional detail on format and content requirements for technical analysis memos was expressed in interviews with COTRs. They cited insufficient time, lack of experience and in-house COTR training as problem areas with regard to the technical analysis of price proposals.

(2) Finding Two. Fact Finding by COTRs

Reference: FAR 15.805 states the Contracting Officer/Ordering Officer is solely responsible for determining the nature and extent of any fact finding which may be required to formulate negotiation objectives. The technical evaluation should provide the Ordering Officer with information available within the Government and identify those areas where information is not available. [Ref. 3]

Analysis: Documentation contained in several files reviewed by PMR teams indicated technical codes were conducting fact finding directly with the contractor. For example, the COTR contacted the contractor to determine

the necessity for a specific temporary technical position. The Technical Evaluation Report subsequently endorsed the category and the hours. This cost should have been a questionable cost to be addressed during negotiations, thereby ensuring the integrity of the technical evaluation, or referred to other technical personnel within the Government for a determination that such a labor category was or was not appropriate for that task. Fact finding and negotiations should be conducted only by the Contracting officer/Ordering Officer or in conjunction with a team effort under the cognizance and control of the Contracting Officer/Ordering Officer.

Interviews with contract administration personnel pointed out that contractors themselves are guilty of providing extra "help and clarification" to technical personnel in order to canvass the Government's position. Sometimes COTRs are guilty of weakening the Government's position by unknowingly disclosing negotiation sensitive information. In other cases, the COTR may overstep his authority and purposefully commit the Government because of urgency.

(3) Finding Three. Insufficient Prenegotiation Planning Documentation

Reference: FAR 15.807(a) discusses the process of determining prenegotiation objectives to help the contracting/ordering officer judge the overall reasonableness

of proposed prices and negotiate a fair and reasonable price or cost and fee prior to award. The regulation requires the contracting officer to analyze the offeror's proposal and take into account any audit reports, technical analysis and other pertinent data such as independent Government cost estimates and price histories. FAR 15.807(b) states, "The contracting officer shall establish prenegotiation objectives before the negotiation of any pricing action," and prescribes the scope and depth to support those objectives.

Analysis: Reviews of delivery orders revealed inadequate evidence to show the preparation of prenegotiation objectives by ordering officers at several activities. It was recognized that not every order required price negotiation; hence, not every order required prenegotiation objectives. However, many files revealed significant differences between contractors' proposals and independent Government cost estimates. While discussions were often held with contractors, these files showed little evidence of prenegotiation planning on the part of the Ordering Officers working together with the COTR to establish a Government position for presentation to contractors. For example, one "Cost Ceiling Memorandum" form did not reflect contractor-proposed "costs questioned." The entry on the "costs questioned column" is frequently "Yes," but in fact, it was the Government estimate that was questioned, not the contractor's cost. The documentation on file did not scrutinize or

address rates. It did not consistently reflect the full range of issues to be negotiated.

While it seems that the stifling burden of paperwork never seems to stop in contract administration, prenegotiation planning, with its accompaniment of documentation, is necessary to provide a clear audit trail for price determination. In the above example, many correct actions may have occurred, but were never documented in writing.

(4) Finding Four. Price Negotiation

Inadequacies

Reference: FAR 15.808(a) states:

At the conclusion of each negotiation of an initial or revised price, the contracting officer shall promptly prepare a memorandum of the principal elements of the price negotiation. The memorandum shall be included in the contract file and shall contain the...minimum information (specified). [Ref. 3]

Analysis: A review of the delivery orders revealed several inadequacies in negotiation techniques, preparation of independent Government estimates and content of the negotiation memorandum. Prenegotiation objectives were not observed in many of the pricing situations. Several delivery orders and modifications were issued in an amount identical to both the Government estimate and the contractor's proposal which gave the impression to PMR inspectors that Government estimates were not "independent" but rather were prepared after the fact based on the contractor's proposal. In another example, a negotiation memorandum



indicated the proposal was phoned to the COTR who reviewed the proposal and, by phone, stated the contractor's proposal was acceptable. The reconciliation statement in the negotiation memorandum contained conflicting figures.

More problems were exemplified in a review where the significant variances in labor categories and number of hours between the Government estimate and the contractor's proposal were not addressed in the negotiation memorandum. Instead, the memorandum referred to a memorandum from the COTR and stated that "the COTR reviewed the contractor's proposal, provided a revised Government estimate and accepts, in part, the contractor's proposal." The COTR memorandum was vague and did not adequately address these variances.

In another example, there were minimal elements for an audit trail of negotiations and, when there were negotiations conducted, it appeared they were between the "task leader" and the contractor. Negotiations under a cost reimbursement contract should be conducted by the ordering officer assisted by the COTR. A price negotiation memorandum (PNM) should then be prepared and signed by the ordering officer documenting the key points and results of the negotiations. Negotiations which fail to provide a firm basis and specific rationale for determining a fair and reasonable price are considered inadequate. Activities need

to ensure that determination of price reasonableness is made and documented in the file.

The reason cited by those interviewed for most of these documentation deficiencies was urgency. However, it seems that there is never enough urgency to go back to document the transaction after the requirement is met.

d. Contracting Administration

Table 2 reflects the six significant findings from the reviews. This PMR chapter addresses adequacy of the contract administration process including preparation of mods, timely definitization of mods/orders, invoice processing, proper delegation to CAS, timely close-out of completed files, and tracking audits; and adequate monitoring of contractor performance to include: quality, delivery and COTR performance review.

(1) Finding One. COTR/ACOTR/NTR Interface Deficiencies

Reference: NAVSUPINST 4205.3 states, "an 'Alternate COTR' (ACOTR) may be nominated and appointed to act in the absence of the COTR." [Ref. 7:p. 3] NRCCSDINST 4205.7 allows for a Navy Technical Representative (NTR) to be assigned by the requiring activity to assist the COTR. [Ref. 8:p. 4]

Analysis: With regard to COTR/ACOTR assignments, PMRs revealed that in several instances ACOTRs were

performing the COTR's function much of the time, even when the COTR was present. Several problems also arose with ACOTRs who were unofficially assigned. The requiring activity should be aware that unofficial assignment as ACOTR to a person who does not possess technical expertise commensurate with the contract is not in the requiring activity's best interest. There is a legitimate need for ACOTRs, especially when the COTR's primary duties require him to conduct extensive traveling and not be present to monitor contractor performance. Several other problems were discussed during interviews with COTR personnel. Some COTR jobs are difficult to perform as collateral duties when the primary job takes them on travel for extended periods of time. Without the assignment of an ACOTR several unnecessary problems were created.

The NAVSUPINST 4205.3 assigns responsibility to the COTR for reviewing and certifying contractor invoices. During one PMR, it was learned that 20 technical points of contact (TPOCs) had been assigned to monitor a contract. They were responsible for monitoring individual delivery orders and reviewed and certified invoices. Interviews by PMR inspectors with two of the TPOCs revealed they were performing adequately; however, the officially assigned COTR should have been performing the final review and certification of invoices. The COTR did indicate that semiannual

meetings were held with the TPOCs to review contractor performance and to identify any problem areas.

COTRs need to be in a position to properly monitor contracts as assigned. The NRCCSDINST 4205.7 ensures COTRs are fully supported through its provision for NTRs, but the span of control afforded to NTRs needs to be kept in perspective.

(2) Finding Two. Inadequate Monitoring of Deliverables

Reference: The NAVSUP Publication 570 states that "data items to be provided by the contractor shall be specified on a DD Form 1423, 'Contract Data Requirements List' (CDRL), or included in the SOW." [Ref. 1:p. 12]

Analysis: There were several instances noted wherein data identified as deliverables on Contract Data Requirements Lists (CDRLs) incorporated in contracts were not being received. When the contracts were originally negotiated these data were identified as deliverables. The contractor presumably accounted for costs of report requirements in the proposal. The COTR must monitor and track deliverables to ensure the government receives all contract requirements.

Some CDRLs were not filled out properly. For example, Block 8 was annotated for delivery incorrectly and did not ensure that Government rights were maintained to reject unsatisfactory data.

The significance of appropriately annotating the CDRL cannot be overemphasized. In many cases, the only deliverables under a delivery order are data, and the total cost to the Government may be significant in terms of dollars. With no requirement for inspection and acceptance of these data, the Government is waiving the right of rejection if the deliverable does not meet the Government's needs.

(3) Finding Three. Documentation Discrepancies

Reference: NAVSUPINST 4205.3 outlines COTR documentation responsibilities and refers to the "performance of the specific duties assigned pursuant to the appointment letter issued by the PCO." [Ref. 7:p. 4]

Analysis: Documentation discrepancies are a function of administrative laxity, lack of proper hands-on training and time constraints. They primarily occur in five main areas. Those areas are: (1) Administration; (2) Correspondence; (3) Contractor Performance; (4) Acceptance; and (5) Invoices.

First, with reference to administration, one PMR cited a situation where cost growth occurred without the COTR ensuring funds were always available and critical paperwork pertinent to the file was late or nonexistent. Another COTR had to take over and attempt to complete the documentation. In addition, there were numerous modifications pending where overruns had occurred and incorrect accounting data had

been used. The COTR must act conscientiously and in a timely fashion when involved with monitoring contractor performance.

Correspondence is the second area of concern. Several COTRs stated they did not always maintain a record of telephone conversations with the contractor or the ordering officer. One COTR indicated he did not make a written report of site visits to the contractor's plant which was located out of town. Reports of any interaction with the contractor, PCO, or ordering officer should be documented and maintained in chronological sequence. These reports should outline topics of conversation or visit, meeting participants, and any other significant details. Such substantive records offer a clear trail of information for the ordering officer and/or ACOTR. Experience teaches that this is vitally important when disputes or claims arise. Such documentation also provides the COTR with a memorandum for accountability and historical traceability.

The third area of concern entails the basis which the COTR uses to measure contractor performance. What is acceptable and what is not acceptable must be clearly laid out. Areas that should be looked into include:

- \* Punctuality of performance
- \* Contractor responsiveness and cooperation
- \* Management availability/accessibility.

At one activity, three of the four COTRs maintained files containing relevant documentation and a copy of the basic

contract they monitored. However, during the interviews it was revealed that none of the COTRs had ever completed the required annual contractor performance report.

In the fourth area, acceptance, many files lacked evidence to show technical analysis for the deliverables. COTRs explained that if the deliverable was acceptable, there was no need for analysis. However, there is a need to document acceptance.

The fifth area needing attention is invoice certification of receipt and acceptance of services. At one activity, invoices submitted on Standard Form (SF) 1034 were signed on the front of the SF1034 by the COTR. Then, for payment purposes, the purchasing agent was signing Block 26 of the DD Form 1155. The contract invoicing procedures call for the COTR to sign certifying the validity of the charges, but not on the front of the SF1034. That block is for the final certification by the disbursing officer. Block 26 on the DD Form 1155 need not be signed for progress payments under a cost reimbursement contract. For the final invoice, or for invoices for deliverables, documentation of receipt and acceptance should be accomplished by the person actually receiving the deliverables, normally the COTR. PMRs cited that the manner in which COTRs certify invoices was not clearly evident nor was it documented in the files. In some examples labor categories not included in the delivery order were billed by the contractor and in turn certified by the

COTR. In some cases, travel costs, material costs, and miscellaneous charges specified in the delivery orders were not clearly identified or supported on the corresponding invoice. Since there are no prescribed procedures established to guide the COTR's certification of invoices, COTR's appear to be verifying contractor efforts and performance on a subjective basis. While this is a problem in itself, the further problem is that COTR files do not show documentation for clear-cut rationale needed to determine the appropriateness of work/materials invoiced. The main concern is whether or not the COTR really knows that the Government received what it paid for.

Improved COTR documentation and training is necessary to correctly validate invoices and measure contractor performance. The PMRs suggested: (1) COTRs clearly show and document criteria used to monitor contractor performance; and (2) COTR files should show specific application of these criteria to specific line items of work invoiced. The PMRs also recommended categorizing contractor performance monitoring reported by progress reports, daily/periodic progress checks, with problems identified in meetings/telephone calls in order to devise a subjective statement that could be assembled to support the reasonableness of costs.

Several COTRs used automated daily log documentation procedures or hard copy formal and informal correspondence documentation procedures. At activities which used



automated records, less COTR discrepancies were noted. Other COTR files lacked the documentation. Interesting to note, one COTR threw away all of his documentation when the services were complete, but before all of the receipts were correctly processed. Most files lacked evidence to show technical analysis for the deliverables.

In conclusion, while overall file documentation contained contractual documents, CDRL submittals and copies of invoices, documentation efforts must be reinforced to ensure COTR files contain records of monitoring efforts, technical analysis performed, accounts of meetings/discussions with contractors, written input from other technical support personnel and all other pertinent documentation to support technical guidance provided to the contractor in accordance with NAVSUPINST 4205.3.

(4) Finding Four. Inadequate Monitoring of Contractor Performance

Reference: NAVSUP Publication 570 discusses the monitoring function and states: "ordinarily this function is performed by the Contracting Officer, designated ordering officer(s) and COTR." [Ref. 1:p. 10]

Analysis: The lack of proper monitoring can cost the Government big dollars when contractors are allowed to perform in a less than satisfactory manner. An IDTC service contract at one activity deteriorated into one of little value because the COTR failed to ensure that the

contractor complied with the terms of the contract. Provisions in the contract for specific CDRL items were totally disregarded by the contractor with no evidence of attempts by the COTR at enforcement. Additionally, other difficulties were encountered because the contractor failed to invoice correctly as service occurred. The contractor simply provided a monthly statement without reference to delivery orders or contract line items which unnecessarily complicated reconciliation of work accomplished and invoice costs.

The PMRs indicated that monitoring techniques employed by COTRs varied. One COTR tracked contractor response time on a weekly basis in accordance with the contract, attended contractor/ordering officer meetings and had accomplished site visits. Other COTRs relied solely on customer complaints. When the COTR does not regularly monitor contractor performance, there is no evidence of quality assurance and technical oversight. Failure to take corrective actions (i.e., COTR request the PCO issue a cure notice) in a timely fashion perpetuates poor performance and effectively waives the right of the Government, if necessary, to terminate for default. All COTRs should actively monitor contractor performance and meet at least quarterly with the PCO.

Interviews with ACOs indicated that this is a serious problem with COTRs. One ACO stated that COTRs get in trouble in this area for failing to act more so than

acting wrongly. COTRs complain they are having to shoulder more and more of the burden of having to perform contract administration. They add that they do not feel they are always used as the technical specialists/monitors they were originally assigned to be.

(5) Finding Five. Discrepancies in Procedures Used to Address Deficiencies

Reference: NAVSUP Publication 570 states: "The COTR serves as the eyes and ears of the contracting officer by acting as the technical liaison between the contractor and the contracting officer." [Ref. 1:p. 14]

Analysis: When the need arises for a meeting between a requiring activity and the contractor (except as required for contractor surveillance by QA or NTR personnel) both parties should meet under the cognizance of the COTR to ensure that the rights of the Government are preserved and that the integrity of the contract is upheld. High visibility is essential for the COTR function. This imperative is a necessary control mechanism to ensure contractor performance conforms to the terms and conditions of the contract.

According to the majority of COTRs interviewed, procedures to address discrepancies or deficiencies vary from activity to activity. Several COTRs specifically indicated "Other Technical Personnel" reviewed proposals and/or liaised directly with the contractor. However, the

COTR is the technical King Pin for all contractor status reports, clarification inquiries, meetings and approval of submittals. When these duties are carried out by other personnel, the requiring activity is vulnerable to the occurrence of constructive changes whenever issues involving contract scope are not rapidly communicated to the COTR and the ordering officer. At a minimum, the COTR should be notified of the technical acceptability of deliverables and all inquiries received to keep him updated so he can respond quickly and directly to the contractor. Furthermore, the COTR should coordinate all liaison activities with the contractor pertaining to technical clarification in addition to progress/status meetings. Many COTRs are technically knowledgeable and administratively capable to perform these tasks, but time constraints and primary job descriptions keep them too busy to put in the time they would like to properly perform COTR duties.

(6) Finding Six. COTR/Ordering Officer/PCO Interface Deficiencies

Reference: NAVSUPINST 4205.3 specifies regular meetings should occur and be attended by the PCO (or ordering officer), COTR and requiring activity Commanding Officer to discuss contract status and performance. As a minimum, they would be held on a quarterly basis. [Ref. 7:p. 4]

Analysis: Interviews with contracting personnel frequently indicated there is little communication among PCOs, COTRs, ACOs and ordering officers. Several COTRs disclosed interface problems with the Administrative Contracting Officers (ACOs) regarding requests for modification actions. Other COTRs stated that they neither conversed nor interfaced in any way with designated ordering officers. Though the COTR has direct access to the PCO via the telephone, there is little communication between the two, or with the contracting officer who has been delegated PCO authority.

Contract terms on IDTC contracts require the contractor to perform within the specified scope and ceiling price of the orders or exceed them only upon direction of the contracting officer. A lack of communication between COTRs and contracting officers has the potential to lead to unauthorized increases in the scope of work or cost overruns without the benefit of the ordering officer's involvement until after the problem is well underway. Because this potential exists, close involvement of the ordering officer is necessary in the progressing of tasks. All matters pertaining to the administration of the contract should not solely be conducted by the COTR without any further involvement by the ordering officer except to execute delivery orders against the IDTC. The ordering officer must be knowledgeable of the contract and well aware of obvious problems,

questions and confusing terms and conditions. A record of funds or manhours expended should be maintained by the ordering officer as well as to ensure the terms and conditions of the contract are properly administered. A close working relationship needs to exist between the ordering officer and the COTR to ensure compliance with the contract terms and conditions such as property administration, fund controls, invoicing procedures, quality assurance, and integrity of delivery orders. In addition to the COTR's oversight of the contractor, the PCO also has the oversight responsibility of ensuring full traceability and adequate performance of the COTR's duties.

#### D. PROBLEMS/ISSUES

It must be noted that standard PMR precepts are subject to environmental influences. For example, the composition of the inspection team impacts the PMR precepts. Precepts change "by direction" depending on what issues higher authority considers important enough to emphasize. They also change between activities based on first or preconceived impressions. And they change over time. However, none of the inspected activities responded to the recommendations with statements of nonconcurrence or inability to implement them; therefore, the findings and recommendations are considered to be well-founded. [Ref. 9]

#### E. SUMMARY

Chapter III has presented a comprehensive analysis of the Navy Field Contracting System environment in which the COTR must perform as seen from the perspectives of Procurement Management Review personnel at two large procuring activities and 18 small purchase activities, as well as from the viewpoints of contracting personnel associated with contract administration and the COTRs themselves. It presented an analysis of 15 COTR-related findings for large contracting activities (greater than \$25,000) and 17 findings for small purchase activities (less than or equal to \$25,000). Chapter IV will answer the primary and subsidiary research questions, present conclusions drawn from the findings and recommend actions to address many of the significant deficiencies that have been discussed pertaining to contract administration of indefinite delivery type contracts by COTRs.

#### IV. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

##### A. INTRODUCTION

This chapter provides a summary of research and answers the primary and subsidiary research questions posed in Chapter I. It then presents conclusions and recommendations drawn from the significant findings pertaining to the management of Contracting Officer Technical Representatives (COTRs) and Indefinite Delivery Type Contracts (IDTCs). Finally, areas for future research will be discussed.

##### B. SUMMARY AND ANSWERS TO RESEARCH QUESTIONS

###### 1. Summary

In the first chapter, the reader was presented with the area of study and then walked through the framework on which this thesis is built. Scope was limited. Research methodology was explained.

Chapter II introduced background and defined the process of establishing a service contract. The importance planning plays in the making of a good statement of work (SOW) was emphasized. The chapter continued with a discussion of the IDTC and its three forms (i.e., Definite Quantity, Requirements, and Indefinite Quantity). Advantages and disadvantages were provided. Next, the chapter shifted



focus from IDTCs to the policies and procedures associated with the contract administration functions of the COTR.

Discrepancies taken from the Procurement Management Reviews (PMRs) of West Coast Navy Field Contracting System (NFCS) activities were analyzed in Chapter III. These findings highlighted many of the deficiencies which plague the administration of IDTCs from a PMR reviewer, PCO/ACO and COTR viewpoint.

## 2. Answers to Research Questions

### a. Primary Research Question

What are the key problems associated with the administration of Indefinite Delivery Type Contracts (IDTCs) through the Contracting Officer's Technical Representative (COTR) and how might these problems be resolved?

The significant issues that resulted from the analysis of the findings in Chapter III point toward the following problems:

- \* Failure to involve the COTR in the early stages of contract planning
- \* Poor communications between PCOs and requiring activities
- \* Insufficient COTR training with regard to hands-on practical exercises (e.g., invoice processing, resume validation, etc.)
- \* Limited processing time driven by workload volume and personnel shortages
- \* Laxity in contract administration documentation and filing.

The recommendations presented in the upcoming section will suggest ways in which these problems might be resolved.

b. Secondary Research Questions

(1) What is an IDTC? Indefinite Delivery Contracts (IDTCs) specify the types of supplies and services to be furnished by a contractor upon receipt of delivery orders. Total funding under an IDTC cannot be predicted because there is usually no limit to the number of delivery orders (with the exception of Definite Quantity Contracts), which may be placed against it. While a conveniently shorter administrative time is a benefit of an IDTC, abuses by the requiring activity can occur as documented in Procurement Management Reviews (PMRs) at many Navy Field Contracting System (NFCS) activities.

(2) What Role do COTRs Have in the Administration of IDTCs? Contracting Officer's Technical Representatives (COTRs) are assigned by the contracting officer under the rules of agency to provide technical direction/clarification and monitor IDTC performance on the location at which the contractor performs. While the Procuring Contracting Officer (PCO) performs solely under the auspices of the Naval Supply Systems Command (NAVSUP), the COTR assigned in the contract performs assignment responsibilities both for his own requiring activity and for the PCO.

The Secretary of the Navy instruction (SEC-NAVINST) 4205.5 answers this question quite well:

The following duties are general and not inclusive. Greater specificity is highly desirable in assigning duties to the COTR, as is direction about which documents relating to the assigned duties should be maintained in the COTR files.

Serve as Technical Liaison

- Provide technical direction
- Recommend corrective action
- Ensure contract does not become personal services
- Inform PCO of problems
- Focal point for discussions with contractor on work issues
- Ensure all tasking is necessary
- Advise PCO on technical problems that could result in claims
- Provide technical clarifications of Statement of Work (SOW)
- Provide independent Government estimate of desired or ordered work
- Review technical qualifications of proposed substitute key personnel

Inspect/Accept Work

- Identify contractor deficiencies
- Review deliverables for acceptance
- Prepare report on contractor performance
- Ensure contractor complies with all reporting requirements
- Review contractor plan for conducting the work

Monitor Cost/Progress

- Review invoices for appropriateness of types and quantities of labor and materials
- Report on contractor progress
- Ensure costs are reasonable
- Review contractor status/progress reports. [Ref. 6:Encl. 1]

(3) What are the Significant Deficiencies in the Contracting Officer/COTR/Ordering Officer/Contractor Relationship with Regard to the Administration of IDTCs?

Traditionally, there have been problems arising from the

COTR's precarious position as the interface between the contracting officer, the activity receiving the benefit of the contract and the contractor. He may be instructed by his supervisor to perform in a manner which conflicts with his responsibilities to the contracting officer. In addition, COTR responsibilities frequently get relegated below primary duties and suffer from the lack of attention common in collateral assignments.

The contracting officer cannot assign clerical personnel as COTRs because the COTR must be technically knowledgeable with regard to the contract performance. However, the contracting officer cannot assign full contract administration responsibilities to the COTR because it is inappropriate.

The responsibilities of the COTR require him to have a foot in several camps. He must liaison with the contractor, but maintain an arms-length relationship. He must work with the ordering officer, but maintain an adequate separation of functional responsibilities. He must satisfy his supervisor, but also monitor contractor performance for the PCO.

Without proper management by their commanding officer, stellar COTR efforts go unnoticed in performance evaluations. Without proper management oversight by their contracting officers, deficient contractor performance

can be allowed to continue without proper corrective or compensatory measures.

(4) How Might These Deficiencies be Addressed to Improve the Administration of IDTCs? The stability and effectiveness of the COTR work force is greatly enhanced by proper qualification standards and training; however, the "more training" philosophy is only one way to improve the contract administration efforts. Current DON policy, guidance, and practices pertaining to the implementation of the COTR work force are adequate, though there is room for improvement. However, the most significant action that must be taken to resolve these problems is the reinstatement of the program's intent. The program was designed for COTRs to be monitors, not GS-1102 contract specialists.

Contracting officers must sell commanding officers on the program. Commanding officers need to realize that their support of the COTR's mission is in the best interest of the command. The COTR helps to ensure the activity is not subjected to fraud or unsatisfactory contractor performance. Contracting officers must also meet the intent of the program themselves and initiate communication with their COTRs, track contractor performance, and accept rather than ignore responsibility for the contract.

## C. CONCLUSIONS AND RECOMMENDATIONS

### 1. Conclusions

- a. First Conclusion: Failure to Involve the COTR in the Early Stages of Contract Planning can Lead to IDTCs Which are Difficult to Administer

Without the input of the COTR, an individual experienced both technically and with regard to contract administration, ambiguous statements of work and incomplete contract coverage can occur. Once these contracts are in service, administration frustrations flourish.

- b. Second Conclusion: The Duties of the COTR are Valuable and Need to Receive Higher Visibility

The analysis revealed that many COTRs are conscientious in their efforts, but lack support within their command. For example, though COTRs spend on the average 20 to 25 percent of their time on COTR duties, in many instances there are no inputs from the PCOs addressing COTR performance, no COTR-related comments from line supervisors reflected in COTR evaluations, and no mention of their COTR responsibilities in their position description. While the NAVSUPINST 4205.3 mandated COTR nomination letter requires that the COTR function be included in an individual's performance-rating element or explained why it is not, documentation is deficient and management control is weak.

In another area, COTR reports frequently go unread by PCOs at procuring activities. No feedback is given to the COTR. Maybe if COTRs thought someone was reading

their reports, then perhaps the ones who are deficient might get motivated and respond in a more productive manner?

c. Third Conclusion: Communications Among PCOs, COTRs, Ordering Officers and Commanding Officers of Requiring Activities Need Improvement

Many of the findings cited in the analysis chapter could have been avoided or minimized through better communication. Policies are in place which support this need for regular communication. Quarterly meetings as directed by the NAVSUP COTR guidance are supposed to be held to discuss contractor problems and to ensure COTR duties are carried out consistently. Frequently, these meetings do not occur. The PCOs say they are over-worked and do not have time to get into the field. Base COs do not acknowledge contract problems as their problems, but see them as "supply problems." [Ref. 11] Interface between COTRs and ordering officers at the requiring activity is also a significant problem.

d. Fourth Conclusion: The COTR Training Program Needs New Emphasis

The current NAVSUP COTR training course is not adequate. The scope of the program, as well as the scope of COTR duties, for that matter, is too broad. There is too much attention on legalistic theory and not enough hands-on practical exercises focusing on what the COTR will actually do in his job. Currently, the training attempts to make GS-1102's out of COTR candidates in five days. On-the-job COTR

training was deficient at a significant number of NFCS activities. Those activities that formally conducted COTR training on a regular basis exhibited less deficiencies than the activities that did not.

e. Fifth Conclusion: Contract Administration Consumes an Increasing Amount of Time Spent by Navy Field Contracting System (NFCS) Personnel and COTRs

Limited processing time driven by workload volume and personnel shortages contributes to the ineffectiveness of contract administration. Time constraints foster the over-tasking of individuals. Personnel shortages impact staffing and alignment of duties. At the procuring activity, contract administration backlog is not tracked adequately. The COTR reports frequently get filed after only a cursory review. At the requiring activity, the amount of time COTRs have to perform their collateral COTR duties is frequently constrained because of the time required for primary duties.

f. Sixth Conclusion: Automated Systems are of Benefit to the COTR and COTR Management Efforts

Comments on several PMRs made note of positive contributions gained from the use of automated systems for tracking financial and other areas of contract performance and progress. Automated systems at the activities reviewed reflected management control attention and helped to ensure adequate oversight.



## 2. Recommendations

Six recommendations are offered. The researcher realizes the issue of COTR management is not new, nor is it likely to go away. Much of the controversy stems from the fact that the COTR function was established as a requirement without the provisioning of any resources. But as long as "contractors act like individuals at tax time," then someone needs to monitor cost versus performance and that person is the COTR. [Ref. 11]

### a. Recommendation One: Involve the COTR in the Early Stages of the Procurement Strategy Development

The COTR, or individual who will become the COTR upon PCO appointment, needs to be a part of the contract planning team. The COTR can be of invaluable assistance when determining SOWs and deliverable requirements. His involvement can ensure that the contract administration plan is one that can be executed with full compliance.

### b. Recommendation Two: Establish a Certification Program for COTRs Based on Training and Experience

Several COTRs stated that they did not feel fully qualified as COTRs solely as a result of attending the NAVSUP-approved COTR training course. They felt technically competent, but administratively overwhelmed. Some COTRs have little technical experience, but years of experience as a COTR. Other individuals may be extremely experienced technically, but have little COTR experience. Currently, PCOs

have no way to calibrate the talents of the COTR nominees. They must trust that the requiring activity has carefully scrutinized the individual prior to his nomination. Even though the assignment of COTRs can be made on a rather subjective basis, these individuals are still the ones entrusted to act in the best interest of the Government. A certification as to an individual's level of experience as a COTR would serve to help reduce COTR selection subjectivity.

- c. Recommendation Three: Institute Joint Accountability for COTR Actions Between the PCO and Requiring Activity's Commanding Officer

While the original intention of NAVSUP was to issue a COTR instruction which would make the commanding officer (CO) or chief technical director accountable for the actions of the COTR, SECNAV realized that particular policy might place NAVSUP (via NFCS PCOs) over other more senior and more powerful major claimants' commanding officers, so the accountability issue got translated into a quarterly PCO/CO/COTR meeting [Ref. 11]. The PMRs indicate that these meetings rarely occur. Still, there is a need for the commanding officer to be more accountable for the actions of the COTR. After all, the COTR is one of his employees. It is recommended that NAVSUP solicit the support of the other System Commands so that joint accountability can be incorporated into the COTR instructions, NAVSUPINST 4205.3, or SECNAVINST 4205.5.

If this recommendation is disregarded as a correct measure to take, then at the very least, procedures giving the PCO authority to send letters of noncompliance to the COTR's commanding officer should be incorporated into the instructions.

d. Recommendation Four: Make COTR Training Longer or More Narrow, Concrete and Explicit

Though the breadth of COTR responsibilities will probably always exceed the breadth of training received, three to five days is insufficient time to cover the topics related to COTR duties. Some of the areas currently covered in COTR training are of a legalistic nature and make sense pedagogically; however, contract administration personnel question whether the course time might be better spent on topics that are more job specific. Several COTRs expressed to this researcher that more application-oriented case studies (e.g., invoice processing, unallowable costs, resume validation, etc.) would have been of more benefit to them as new COTR candidates. Perhaps findings from recent PMRs could be incorporated into the training program to illustrate the kinds of problems the COTR trainees are likely to encounter.

e. Recommendation Four: Appoint a Dedicated COTR, Given Certain Thresholds, to Perform Contract Administration

This recommendation does not apply to all requiring activities, but only to those that meet certain thresholds relative to: (1) percentage of time the COTR is

expected to spend on contract; (2) dollar value of average delivery order; and (3) contract complexity (i.e., deliverables, GFP, etc.). If the requiring activity refuses to provide a dedicated individual, then actions could be initiated to shift procurement authority to the requiring activity and let them hire the procurement personnel necessary to do the job themselves. While this recommendation is rather simplistic, it is beyond the scope of this paper to discuss the cost benefit effectiveness of centralized procurement authority under NAVSUP versus decentralized procurement at other major claimants.

Several COTRs felt that this "dedicated" COTR recommendation might lead to an individual losing contact with technology and thus losing the expertise required to adequately perform the job.

f. Recommendation Six: Automate COTR Management and Contractor Performance Reports

At NRCC San Diego, California, efforts have been initiated to automate these reports [Ref. 11]. Several of the requiring activities reviewed used electronic mail. The automation process forces uniformity into the levels of review. It requires internal processes to be logically streamlined. Permanent records can be maintained in a data base and/or in hard copy. It can be set up as an effective audit system.

#### D. AREAS OF FURTHER STUDY

1. The NAVSUP Publication 570 IDTC handbook strongly advises that PCOs retain ordering authority in-house for other than FFP IDTCs. Naval Regional Contracting Center (NRCC) San Diego, California, delegates ordering officer authority for IDTCs to its requiring activities; whereas NRCC Philadelphia does not. Do they experience different levels of contract administration problems?

2. The efforts to automate COTR management and contractor performance reporting at NRCC San Diego, California, need inputs to determine what information needs to be reported, how the reports should be formatted and to what extent access is made available [Ref. 11]

3. Naval Aviation Depot North Island, California has written an excellent in-house handbook for COTR training which incorporates a wide variety of practical examples. A training guide which provides practical exercises needs to be written for NFCS use. [Ref. 12]

4. Contractor performance is monitored by other System Commands, and other Services for that matter, in ways similar to NAVSUP's COTR program. Would an analytical study of strengths and weaknesses of comparable programs reveal findings which could then be used to fortify the NFCS COTR program?

## APPENDIX A

### INTERVIEW QUESTIONS

Interview questions included:

1. How many IDTCs requiring COTR involvement are written or outstanding for services in a year?
2. What is the mean, range, and total of delivery orders placed against service IDTCs, in dollars, over a year?
3. How knowledgeable/qualified/motivated/capable is the current COTR work force?
4. Are adequate incentives in play to promote COTR involvement?
5. How are COTRs selected and trained?
6. What are the significant deficiencies in the COTR/ Contractor relationship with regard to the administration of IDTCs?
7. Do these deficiencies promote abuses?
8. Which COTR responsibilities might be streamlined or realigned to reduce these deficiencies?

# APPENDIX B

## DOCUMENTATION FOR CONTRACT ADMINISTRATION PLAN

Ref: (a) NAVSUPINST 4330.7

Due to the nature of the effort described in Request for Contractual Procurement (RCP) document number \_\_\_\_\_ for \_\_\_\_\_ type of services, specialized technical expertise is needed to ensure satisfactory contract completion. In accordance with reference (a), the following information is provided for use in developing the contract Administration Plan (CAP) for the resulting contract.

\* \* \* \* \*

### PART I (To be completed by the Requiring Activity)

	YES	NO	REMARKS
1. What type of service is to be acquired? (The complete description is included in the Statement of Work.) Give executive summary below:			

### Specify:

a. Contract Support Services (SECNAVINST 4200.31B) (If yes, specify category in remarks column)	_____	_____	_____
b. Commercial Activity (CA) (OPNAVINST 4860.7B)	_____	_____	_____
c. Mess Attendant Services (NAVSUPINST 4061.8D)	_____	_____	_____
d. Computer Resources Services (SECNAVINST 5231.1B)	_____	_____	_____
e. Commercial Industrial Services (CIS) (NAVSEA T0300-AA-MMI-D10/CIS Manual)	_____	_____	_____
f. Other (Specify)	_____	_____	_____

2. What areas of the effort require specific technical expertise to ensure efficient contract administration?

- |  |       |       |       |
|--|-------|-------|-------|
| a. Monitoring contractor performance                   | _____ | _____ | _____ |
| b. Technical Guidance to contractor during performance | _____ | _____ | _____ |
| c. Inspection criteria/determination of acceptability  | _____ | _____ | _____ |
| d. Drafts of data deliverables/reports                 | _____ | _____ | _____ |
| e. Special personnel coordination                      | _____ | _____ | _____ |
| f. Other (Specify)                                     | _____ | _____ | _____ |

3. What activity in-house expertise is available to assist in the contract administration?

- |   |       |       |       |
|---|-------|-------|-------|
| a. Project Manager (Name & Position)  | _____ | _____ | _____ |
| b. Ordering Officer (Specify limitations/restrictions)                              | _____ | _____ | _____ |
| c. Technical Specialist   | _____ | _____ | _____ |
| d. Contracting Officer's Technical Representative (COTR) (Attach nomination letter) | _____ | _____ | _____ |
| e. Other (Specify)  | _____ | _____ | _____ |

4. Where will the contractor be required to perform?

- |   |       |       |       |
|---|-------|-------|-------|
| a. On Government Installation                             | _____ | _____ | _____ |
| b. Contractor's Site                                      | _____ | _____ | _____ |
| c. Various locations (Attach a list specifying locations) | _____ | _____ | _____ |

FOR INDEFINITE DELIVERY TYPE CONTRACTS (IDTC'S) COMPLETE THE FOLLOWING:

5. Who will prepare the delivery order SOW(s)?

- |  |       |       |       |
|--|-------|-------|-------|
| a. Technical Specialist  | _____ | _____ | _____ |
| b. COTR  | _____ | _____ | _____ |
| c. Various individuals for the COTR (Identify individuals)             | _____ | _____ | _____ |
| d. Various individuals for the Ordering Officer (Identify individuals) | _____ | _____ | _____ |
| e. Other (Specify)   | _____ | _____ | _____ |



6. Who will prepare the INDEPENDENT Government estimate?

a. COTR

b. Other (Specify)

\_\_\_\_\_  
\_\_\_\_\_

7. Who will provide the appropriate accounting and appropriation data? Specify how.

8. What type of funding is to be provided?

9. Who will request a proposal for an order if one is needed? Specify how.

10. Who will review the proposal?

11. Who will issue the delivery order?

12. Who will inspect the services?

13. Who will accept the services on behalf of the Government?

SIGNATURES

DATE

Prepared By: \_\_\_\_\_

\_\_\_\_\_

Reviewed By: \_\_\_\_\_

\_\_\_\_\_

Approved By: \_\_\_\_\_

\_\_\_\_\_

The above responses describe the extent of expertise and availability within this activity. They are to be considered by the PCO in developing the Contract Administration Plan (CAP). I agree that successful contract administration will require the expertise available at this activity.

Signature: \_\_\_\_\_

Commanding Officer/OIC or Designee

\_\_\_\_\_  
Date

\_\_\_\_\_  
Typed Name and Title

PART II (To be completed by the PCO)

1. Who is the Government's point of contact responsible for the following?

- a. Solicitation information/questions \_\_\_\_\_
- b. Pre-award information \_\_\_\_\_
- c. Technical questions before award \_\_\_\_\_
- d. Technical questions after award \_\_\_\_\_
- e. Post Award Conference \_\_\_\_\_
- f. Authority to begin performance \_\_\_\_\_
- g. Authority to proceed in emergency \_\_\_\_\_
- h. Monitoring the services performed \_\_\_\_\_
- i. Monitoring the direct cost of labor, materials, travel, etc., on other than firm fixed-price contracts \_\_\_\_\_
- j. Monitoring of indirect costs on other than firm fixed price contracts \_\_\_\_\_
- k. Monitoring of contractor's labor relations \_\_\_\_\_
- l. Inspection of services \_\_\_\_\_
- m. Acceptance of services \_\_\_\_\_
- n. Subcontract approval \_\_\_\_\_
- o. Travel Authorization \_\_\_\_\_
- p. Overtime authorization, if allowed under the contract \_\_\_\_\_
- q. Monitoring of security requirements \_\_\_\_\_
- r. Government furnished property/material \_\_\_\_\_
- s. Other special requirements (Specify) \_\_\_\_\_

2. What are the COTR's specific duties?

3. If this is an IDTC, are there "minimum" and "maximum" designated for hours, orders, quantities, etc.?

If yes, who will monitor to ensure the maximum is not exceeded and the minimum is ordered?

4. Identify the schedule for submission of COTR's written evaluation of contractor performance to the PCO.

5. How is the COTR to be reviewed for satisfactory performance under the contract?

From this checklist, the contract administration plan was developed for solicitation/contract no. \_\_\_\_\_.

SIGNATURES

DATES

Prepared by: \_\_\_\_\_

\_\_\_\_\_

Reviewed by: \_\_\_\_\_

\_\_\_\_\_

Approved by: \_\_\_\_\_

\_\_\_\_\_

Source: [Ref. 4:Encl. 1]

## APPENDIX C

### GUIDELINES FOR DEVELOPING A CONTRACT ADMINISTRATION PLAN

The following outline provides general guidance for use in developing a Contract Administration Plan (CAP) for specific types of contracts. The type of contract, the type of service, and the place(s) of performance are the major contract terms which indicate to whom particular contract administration functions would be assigned. Although a function is assigned to a particular individual, this in no way infers that assistance and coordination with others is not necessary. The bottom line in developing any CAP is to ensure cost effectiveness, quality and complete administration of the contract.

#### COST REIMBURSEMENT--PERFORMANCE ON GOVERNMENT SITE

- a. CAO should be assigned those functions requiring specialized expertise for proper audit to determine allowability and allocability of costs incurred. Also, those functions that are routine to the contractor's everyday business.
- b. PCO should retain all functions requiring coordination with various personnel outside the realm of the Government site of performance (e.g., interagency coordination).
- c. COTR functions should be of a technical nature and/or coordination with personnel on the Government installation. The COTR should assist to determine the reasonableness of cost incurred by the contractor, recommend or approve a need to travel in performance of the contract, determine acceptability of subcontracts and services rendered. COTR must submit the required report to the PCO identifying the efficiency of the contractor's performance and the use of the deliverables received.

#### COST REIMBURSEMENT--PERFORMANCE AT CONTRACTOR'S FACILITY

- a. PCO retains functions that provide oversight to determine that schedule, funds and contract scope are not exceeded.

- b. COTR should provide the technical expertise to both PCO and CAO with regard to technical requirements, reasonableness of costs incurred, travel required, etc. COTR must submit the required report to PCO identifying the efficiency of contractor's performance and use made of deliverables.

#### COST REIMBURSEMENT--PERFORMANCE AT MULTIPLE SITES

- a. CAP should be detailed and explicit as to those functions retained by the PCO and those assigned to the COTR.
- b. PCO should retain management oversight functions to determine that schedule, funds and contract scope are not exceeded.
- c. COTR to provide technical advice to PCO and ACO.

#### INDEFINITE DELIVERY TYPE CONTRACTS REGARDLESS OF THE PLACE OF PERFORMANCE

- a. Since this type of contract has the capability of having various types of pricing terms, places of performance, and authority, it is extremely important that the CAP address those specific functions assigned to each administration. The more complex the contract, the more detailed the CAP should be.
- b. Be sure to identify ordering limitations and authority to those authorized to place orders.
- c. CAO can generally best perform those functions relating to the contractor's routine business, audit and payment functions.
- d. PCO should retain functions that provide management oversight of all orders placed under the basic contract.
- e. Ordering Officers should be responsible for requesting, evaluating, negotiating, and determining the price as fair and reasonable prior to placing an order.
- f. Ordering Officer should provide the PCO with adequate information on orders issued for management oversight to be effective.

- g. When determining the limitations and restrictions on the placement of orders under the contract, the PCO must consider the following:
1. The purchase authority of the activity authorized to place orders.
  2. The type and complexity of the analysis and evaluation that will be needed to make a fair and reasonable price determination.
  3. The functions of initiating, ordering, receipt and certification of invoices should be performed by separate individuals so as to avoid the potential for fraud, waste and abuse and to avoid any appearance of mismanagement of Government funds or conflict of interest.
  4. COTR duties should be based on the technical expertise needed to perform those duties. If the function is contractual in nature but requires technical input to administer, the COTR should provide recommendations and advice to the contract administrator responsible for that specific function.

Source: [Ref. 4:Encl. 2]

## APPENDIX D

### SAMPLE CONTRACT ADMINISTRATION PLAN FOR A COMPLEX IDTC TIME & MATERIALS SOLICITATION

#### CONTRACT ADMINISTRATION PLAN

In order to expedite administration of this contract, the following delineation of duties is provided. The names, addresses and phone numbers for these individuals or offices shall be included in the contract award document. The individual/position designated as having responsibility should be contacted for any questions, clarifications or information regarding the functions assigned.

1. PROCURING CONTRACTING OFFICE (PCO) is responsible for:
  - a. All pre-award information, questions, or data
  - b. Freedom of Information inquiries
  - c. Change/question/information regarding the scope, terms or conditions of the basic contract document.
  - d. Post award conference.
2. CONTRACT ADMINISTRATION OFFICE (CAO) is responsible for matters specified in FAR 42.302 and DFARS 42.302 except in those areas otherwise designated herein.
3. DEFENSE CONTRACT AUDIT AGENCY (DCAA) is responsible for audit verification/provisional approval of invoices and final audit of the contract prior to final payment to the contractor.
4. PAYING OFFICE is responsible for payment of proper invoices after acceptance is documented.
5. CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE (COTR) is responsible for:
  - a. Liaison with personnel at the Government installation and the contractor personnel on site.
  - b. Technical advice/recommendations/clarification on the statement of work.
  - c. The statement of work for delivery orders placed under this contract.
  - d. An independent Government estimate of the effort described in the definitized statement of work.



- e. Quality assurance of services performed and acceptance of the services or deliverables.
- f. Government furnished property.
- g. Security requirements on Government installation.
- h. Providing Ordering Officer with appropriate funds for issuance of the Delivery Order.

6. ORDERING OFFICER is responsible for:

- a. Request, obtain and evaluate proposals for orders to be issued.
- b. Determine the price/estimated cost of the order is fair and reasonable for the effort proposed.
- c. Obligate the funds by issuance of the Delivery Order.
- d. Authorization for use of overtime.
- e. Authority to begin performance.
- f. Certification of invoice for payment.
- g. Monitoring of total cost of delivery orders issued.

The following limitations/restrictions are placed on the Ordering Officer:

- a. Type of order issued is limited by this contract to \_\_\_\_\_ pricing arrangements.
- b. No order shall be placed in excess of \$ \_\_\_\_\_ without the prior approval of the PCO.
- c. No order shall be placed with delivery requirements in excess of \_\_\_\_\_.

Source: [Ref. 4:Encl. 3]

# APPENDIX E

## CONTRACT SPREAD SHEET (COST REIMBURSABLE)

### CONTRACT SPREAD SHEET (COST REIMBURSEMENT)

CONTRACT NUMBER: \_\_\_\_\_ MODIFICATION: \_\_\_\_\_

CONTRACTOR: \_\_\_\_\_

PRIME COTR'S NAME, CODE AND TELEPHONE NO.: \_\_\_\_\_

ALTERNATE COTR'S NAME, CODE AND TELEPHONE NO.: \_\_\_\_\_

CONTRACTOR'S CONTRACT REP.: \_\_\_\_\_

I. BASE YEAR:  
PERIOD OF PERFORMANCE: \_\_\_\_\_ HOURS: \_\_\_\_\_  
ESTIMATED COST \$ \_\_\_\_\_ FEE \$ \_\_\_\_\_ TOTAL CPFF \$ \_\_\_\_\_

II. FIRST OPTION YEAR:  
PERIOD OF PERFORMANCE: \_\_\_\_\_ HOURS: \_\_\_\_\_  
ESTIMATED COST \$ \_\_\_\_\_ FEE \$ \_\_\_\_\_ TOTAL CPFF \$ \_\_\_\_\_

III. SECOND OPTION YEAR:  
PERIOD OF PERFORMANCE: \_\_\_\_\_ HOURS: \_\_\_\_\_  
ESTIMATED COST \$ \_\_\_\_\_ FEE \$ \_\_\_\_\_ TOTAL CPFF \$ \_\_\_\_\_



# APPENDIX F

## CONTRACT SPREAD SHEET (TIME & MATERIALS)

CONTRACT SPREAD SHEET (TIME & MATERIALS)

CONTRACT NUMBER: \_\_\_\_\_ MODIFICATION: \_\_\_\_\_

CONTRACTOR: \_\_\_\_\_ CONTRACTOR'S REP: \_\_\_\_\_

PRIME COTR'S NAME, CODE AND TELEPHONE NO.: \_\_\_\_\_

ALTERNATE COTR'S NAME, CODE AND TELEPHONE NO.: \_\_\_\_\_

I. BASE YEAR: CONTRACT AWARD DATE \_\_\_\_\_ HOURS: \_\_\_\_\_

PERIOD OF PERFORMANCE: \_\_\_\_\_

ITEMS AND AMOUNTS WITH NTE VALUES:

Dollars \$ \_\_\_\_\_ Material (Item # \_\_\_\_\_) \$ \_\_\_\_\_

Travel (Item # \_\_\_\_\_) \$ \_\_\_\_\_ Other (Item # \_\_\_\_\_) \$ \_\_\_\_\_

II. FIRST OPTION: DATE TO EXERCISE OPTION: \_\_\_\_\_

PERIOD OF PERFORMANCE: \_\_\_\_\_

ITEMS AND AMOUNTS WITH NTE VALUES:

Dollars \$ \_\_\_\_\_ Material (Item # \_\_\_\_\_) \$ \_\_\_\_\_

Travel (Item # \_\_\_\_\_) \$ \_\_\_\_\_ Other (Item # \_\_\_\_\_) \$ \_\_\_\_\_

III. SECOND OPTION: DATE TO EXERCISE OPTION: \_\_\_\_\_

PERIOD OF PERFORMANCE: \_\_\_\_\_

ITEMS AND AMOUNTS WITH NTE VALUES:

Dollars \$ \_\_\_\_\_ Material (Item # \_\_\_\_\_) \$ \_\_\_\_\_

Travel (Item # \_\_\_\_\_) \$ \_\_\_\_\_ Other (Item # \_\_\_\_\_) \$ \_\_\_\_\_

BASE YEAR, 1ST OPTION OR 2ND OPTION YEAR (IDENTIFY)

[illegible]

Source: [Ref. 1:Encl. 2]

## APPENDIX G

### CONTACTING OFFICER'S TECHNICAL REPRESENTATIVE DUTIES

Ensure that services performed by the contractor remain nonpersonal in nature and to ensure that the contractor does not exceed the defined task or statement of work set forth in the delivery order. Further, to monitor Delivery Order performance and to ensure any violation or deviation from the terms and conditions set forth in the D.O. are reported promptly to the Ordering Officer first verbally and then confirmed in writing.

Furnish technical instructions to the contractor which provide specific details, milestones to be met, within the terms of the contract or specific delivery orders thereunder, and any other instructions of a technical nature necessary to perform the work specified in the contract or delivery order.

Serve as the technical contact through whom the contractor can relay his questions and problems of a technical nature to the ordering officer. The COTR is responsible for all Government technical interface concerning the instant contract/D.O.

Monitor contractor performance to see that inefficient or wasteful methods are not being utilized and, if they are, taking reasonable and timely action to alert the contractor and the Ordering Officer to the situation.

Reviews and evaluates contractor's estimate to perform work under: delivery orders, change orders or modifications and furnishing comments and recommendations to the authorized Contracting/Ordering Officer as appropriate.

Conduct surveillance of contractor performance to determine if the percentage of work performed reasonably corresponds to the percentage of funds expended and alerting the Contracting/Ordering Officer to any perceived difficulties when such is not the case. This includes reviewing the contractor's progress reports and furnishing the Ordering Officer (as appropriate) written comments based on the reports and your personal observations.

Review contractor invoices/vouchers, Certificate of Performance and all supporting documentation in light of the requirement, progress and other input, both documentary and

from personal observation, to determine the reasonableness of the billing and its comparability to other documents. The COTR indicates complete or partial concurrence with the contractor's invoice/voucher by executing the applicable Certificate of Performance furnished by the contractor. This review must be done efficiently and expeditiously.

The COTR alerts the Ordering Officer of any potential performance problems; and if performance schedule slippage is identified, determines causative factors and reports them to the Ordering Officer with proposed actions required to eliminate or overcome the causes and to recover the slippage if feasible. Monitor the recovery according to the agreed upon plan, and reports significant problems to the ordering officer.

The COTR furnishes the Ordering Officer with any request for change or modification including timely submission of supporting justifications and other required documentation.

Monitoring, or causing to be monitored, contractor performance using the technique of floor checks. This requires actual on-site observation of contractor's employees performing under the contract and the review of time cards/sheets or labor distribution schedules to assure the proper charging of time is taking place.

The COTR submits to the procuring Contracting Officer a written evaluation of the performance of the contractor and a statement as to the uses made of any deliverables furnished by the contractor.

1. This report is made within 60 days of contract completion but in no event less than annually within 60 days of contract anniversary date. The written performance evaluation would address the cost effectiveness, quality and timeliness of contractor performance.

2. The following questions should be considered:

- \* Did the contractor use the key employees identified in its proposal?
- \* Were the number of hours expended and the mix of labor categories used consistent with level of effort performed?

In surveillance of the contract performance, extreme care must be taken to assure that the COTR does not cross the line of personal services. In administering the contract, the difference lies with the distinction between surveillance,

which is proper and necessary, and supervision which is illegal. Surveillance becomes supervision if the COTR should go beyond enforcing the terms of the contract.

The COTR conducts resume reviews to establish that the contractor personnel meet the contract qualifications requirements stated in the basic contract. The COTR shall ensure that all contractor personnel listed on acknowledgment of notice are qualified.

A COTR's duties are not to issue any instructions which would constitute a contractual change and are not to tell the contractor how to perform, but only what is required of a technical nature. If doubt exists as to whether information to be furnished falls within the contractor scope of work, the COTR contacts the Ordering Officer prior to transmitting the information to the contractor.

The COTR does not possess the authority of a contracting officer and, therefore, should not alter the terms and conditions of the basic contract in any way. Knowing what NOT TO DO is as important as knowing what TO DO, for a COTR.

COTR authority cannot be delegated.

The duties and responsibilities described above are not intended to be all inclusive. As specific situations arise that have not been covered or that have created a question, these should be brought to the attention of the Ordering Officer for advice on how to proceed in the best interest of the Government.

Above all, the COTR's relationship with the contractor must be beyond reproach. Accordingly, strict compliance with DoD Directive 5500 and SECNAVINST 5370.2G regarding Standards of Conduct and Conflicts of Interest is required.

Source: [Ref. 12]



APPENDIX H

SAMPLE NAVY TECHNICAL REPRESENTATIVE (NTR)  
ASSIGNMENT LETTER

From: Commanding Officer, (Requiring Activity)  
To: Mr(s). , Code  
Subj: NAVY TECHNICAL REPRESENTATIVE (NTR); DUTIES THEREOF  
Ref: (a) NRCCSDINST 4205.7 of 1 July 1988

1. You are hereby assigned as a Navy Technical Representative (NTR) under contract \_\_\_\_\_ with \_\_\_\_\_. As such, your duties are to assist the Contracting Officer's Technical Representative (COTR) in executing the following inspection and monitoring duties:

- a. Identify contractor deficiencies to the COTR.
- b. Review contract/delivery order deliverables, recommend acceptance/rejection, and provide the COTR with documentation to support the recommendation.
- c. Assist in the preparation of the final report on contractor performance for the applicable contract/delivery order in accordance with the format and procedures prescribed by the COTR.
- d. Identify noncompliance with contractor reporting requirements to the COTR.
- e. Review the contractor plan for conducting specific tasks/work/deliverables and identify problematic areas to the COTR.
- f. Review contractor status/progress reports on the applicable contract/delivery orders, identify deficiencies to the COTR, and provide the COTR with recommendations regarding acceptance/rejection and/or government technical clarification requests.
- g. Report contractor progress for delivery order tasks at least quarterly to the COTR (prior to quarterly PCO meetings with the COTR).

h. Review invoices for the appropriate mix regarding types and quantities of labor and materials, and provide the COTR with recommendations to facilitate COTR certification of the invoice.

i. Provide the COTR with timely input regarding technical clarifications for the statement of work, possible technical direction to provide the contractor, and recommend corrective actions.

2. The COTR remains technically responsible for contractor performance monitoring despite the assignment of NTRs, and must ensure that input from the NTRs is accurate and appropriate to the scope of the contract and delivery/order. All appropriate input from the NTR should be included with the documentation in the COTR delivery order file in order to maintain a trail or accountability.

3. The COTR must ensure that the contractor understands that the COTR is the technical focal point for the contract and all delivery orders, and that the NTR does not have the authority to provide ANY technical direction/clarification directly to the contractor.

4. Above all, your relationship with the contractor must be beyond reproach. Accordingly, strict compliance with DoD Directive 5500 and SECNAVINST 5370.2H regarding standards of conduct and conflict of interest is required. You are requested to read these instructions immediately.

5. This assignment shall remain in effect through the life of the contract, unless otherwise relieved.

6. This NTR assignment is not redelegable.

DEPARTMENT HEAD SIGNATURE  
by Direction

NTR ACKNOWLEDGEMENT

I have reviewed and understand my assigned duties and responsibilities in connection with the contract/delivery order specified in Paragraph 1 above.

SIGNATURE: \_\_\_\_\_ Date: \_\_\_\_\_

Copy to:  
Contract Primary COTR  
Ordering Officer

Source: [Ref. 12]

APPENDIX I

SAMPLE COTR NOMINATION LETTER

From: Commanding Officer, \_\_\_\_\_

To: Contracting Officer, Naval Regional Contracting  
Center

Subj: NOMINATION OF CONTRACTING OFFICER'S TECHNICAL  
REPRESENTATIVE (COTR)

Ref: (a) NAVREGCONTCENINST 4205.1

1. In accordance with reference (a), I hereby nominate  
Mr./Ms. \_\_\_\_\_ as the COTR for the  
contract resulting from requisition no. \_\_\_\_\_ to  
acquire \_\_\_\_\_ services in support of \_\_\_\_\_.

2. Mr./Ms. \_\_\_\_\_ is qualified to perform the  
following COTR duties:

3. Mr./Ms. \_\_\_\_\_ possesses the technical  
knowledge and project/program office expertise required as  
evidence by:

4. Mr./Ms. \_\_\_\_\_ title, code, business  
address, and phone number are:

5. Mr./Ms. \_\_\_\_\_ has graduated from the Navy  
approved COTR training within the last five years.

Place of training: \_\_\_\_\_

Dates of training: \_\_\_\_\_

6. The performance rating elements for Mr./Ms. \_\_\_\_\_  
(will) (will not) include the COTR function (if not,  
provide rationale).

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Commanding Officer

COTR ACKNOWLEDGEMENT:

I have reviewed and understand my nomination and the duties, responsibilities and limitations of the COTR function.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

CONTRACTING OFFICER ACCEPTANCE:

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Source: [Ref. 13:Encl. 1]

APPENDIX J

APPOINTMENT OF COTR

From: PCO of the Applicable NFCS Activity

To: The COTR

Subj: APPOINTMENT AS CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE (COTR)

Ref: (a) NAVSUPINST 4205.3; Subj: Contracting Officer's Technical Representative (COTR)  
(b) SECNAVINST 4205.5; Subj: Contracting Officer's Technical Representative (COTR)  
(c) SECNAVINST 4200.27A; Subj: Proper Use of Contractor Personnel

Encl: (1) Contractor Invoice Review Form

1. Pursuant to reference (a), you are hereby appointed as the Contracting Officer's Technical Representative for:

Contract Number:

Contractor:

2. As COTR, your duties include functioning as the technical representative of the contracting officer in the administration of the contract cited above; providing technical direction and discussion as necessary with respect to the specification or statement of work; and monitoring the performance of work under the contract. You are to perform your duties in accordance with references (a) and (b) and any amplifying instructions provided herein or provided in writing by the contracting officer at a later date.

3. In accomplishing your duties as a COTR you are cautioned to carefully review and comply with reference (c) to ensure that the contract does not become a personal services contract through your actions or the actions of other Government personnel who may assist you in the performance of your duties.

4. You are responsible for bringing to the attention of the contracting officer, ordering officer (if the contract provides for issuance of delivery orders) and the functional

code for whom the work is being performed, any significant deficiencies with respect to contractor performance or other actions which might jeopardize contract performance.

5. You are responsible for providing prompt notification to the contracting officer if for any reason it becomes necessary to terminate your appointment as COTR.

6. You are not authorized, either by this letter, or by references (a) or (b), to take any action, either directly, or indirectly that could result in a change in the pricing, quantity, quality, place of performance, delivery schedule, or any other terms and conditions of the contract (or delivery order), or to direct the accomplishment of effort which would exceed the scope of the basic contract (or delivery order). Whenever there is the potential that discussions may impact areas such as described above, contact the PCO or Ordering Officer for guidance. You must be especially cautious when providing an interpretation of specifications. The understanding reached, or the technical direction given, must be formalized in writing, and copies provided to the contracting officer (ordering officer if a delivery order is involved). The contractor shall be notified that if the contractor is of the opinion that the COTR's interpretation is erroneous, the contractor shall notify the contracting officer (or ordering officer) in writing of his/her position.

7. Specific duties, in addition to those required by references (a) and (b) are as follows: (This section of the COTR letter shall be tailored by the contracting officer to fit the particular contract situation. The following are examples of direction which could be used for this tailoring.)

a. Responsible for controlling all Government technical interface with the contractor.

b. Responsible for ensuring that copies of all Government technical correspondence are forwarded to the contracting officer (and ordering officer) for placement in the contract (delivery order) file.

c. Responsible for promptly furnishing documentation on any requests for change, deviation, or waiver (whether generated by the Government or the contractor) to the contracting officer (and ordering officer) for placement in the contract (delivery order) file.

d. Responsible for completing and signing the Contractor Invoice Review Form (enclosure (1)) for all contractor

invoices and for forwarding copies to the PCO/ACO and Defense Contract Audit Agency (DCAA).

e. In the event of contractor delay, or failure to perform, determine the cause, and make recommendations for appropriate corrective and/or preventive measures to the contracting officer (and ordering officer).

f. Periodically check contractor performance to ensure that the individual contractor employees are of the skill levels required and are actually performing at the levels charged during the period covered. Via the contracting officer (ordering officer) request assistance from DCAA as necessary.

g. Periodically check contractor performance to ensure that the labor hours charged appear consistent and reasonable, and that any travel charged was necessary and actually occurred.

h. Ensure that any Government Furnished Property is adequately monitored and accounted for.

\_\_\_\_\_  
Contracting Officer Signature and Date

\_\_\_\_\_  
COTR Signature (which constitutes acceptance of the appointment and conditions thereof)

\_\_\_\_\_  
Date

(The COTR shall retain one copy of this letter, signed by both parties, and shall return one copy to the contracting officer (and ordering officer) within ten (10) days of receipt, for placement in the contract file)

Source: [Ref. 7:Encl. 2]

APPENDIX K

CONTRACT PROVISION

CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE (COTR)

THE COTR FOR THIS CONTRACT IS:

Name: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
\_\_\_\_\_  
Code: \_\_\_\_\_  
Telephone No: \_\_\_\_\_

THE ALTERNATE COTR FOR THIS CONTRACT IS:

Name: \_\_\_\_\_  
Mailing Address: \_\_\_\_\_  
\_\_\_\_\_  
Code: \_\_\_\_\_  
Telephone No: \_\_\_\_\_

The COTR will act as the Contracting Officer's representative for technical matters, providing technical direction and discussion as necessary with respect to the specification of statement of work, and monitoring the progress and quality of contractor performance. The COTR is not an Administrative Contracting Officer and does not have authority to take any action, either directly or indirectly, that would change the pricing, quantity, quality, place of performance, delivery schedule, or any other terms and conditions of the contract (or delivery order), or to direct the accomplishment of effort which goes beyond the scope of the statement of work in the contract (or delivery order).

When, in the opinion of the contractor, the COTR requests effort outside the existing scope of the contract (or delivery order), the contractor shall promptly notify the contracting officer (ordering officer) in writing. No action shall be taken by the contractor under such direction until the contracting officer (or ordering officer) has issued a modification to the contract (or delivery order) or has otherwise resolved the issue.



In the absence of the COTR named above (due to reasons such as leave, illness, official travel), all responsibilities and functions assigned to the COTR shall be the responsibility of the alternate COTR acting on behalf of the COTR.

Source: [Ref. 7:Encl. 3]

### LIST OF REFERENCES

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12. U.S. Department of the Navy, Handbook for Dealing with Contractors and Processing Delivery Orders, Naval Aviation Depot, North Island, California, 1989.
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